THE Freeman

IDEAS ON LIBERTY

NOVEMBER 1956

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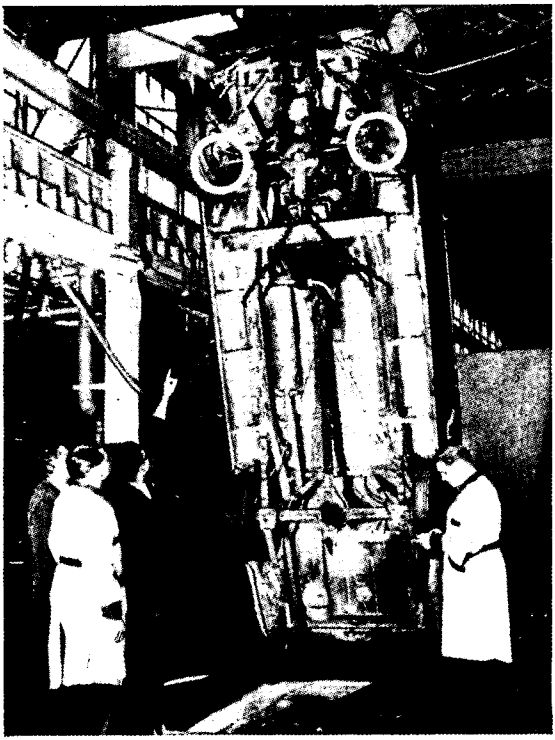
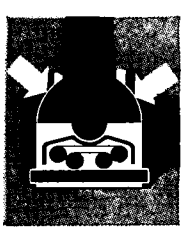
Your life may depend on auto parts you seldom see

THOMPSON PRODUCTS TIE ROD ENDS MEAN SAFER DRIVING

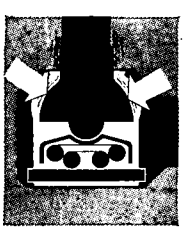


● *Circles indicate location of tie rod ends*

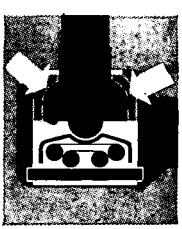
Here is how a tie rod end should fit—the stud snug in the socket. Any tie rod end starts this way. But...



Look what happens to an ordinary tie rod end. The stud and socket both become worn—steering becomes sloppy.



The extra bearing surface in the Thompson Dual Bearing tie rod end keeps the stud snug in the socket far longer.



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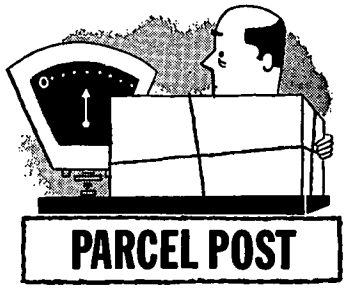
Government is no place for...

"LEMONADE ECONOMICS"



Most children make money on lemonade stands—"profits" are high and prices are low. That's because lemons, water, sugar, ice, and utensils come from mother's kitchen and are not included in the cost.

But that's hardly the way to operate our Government's parcel post system which, by law, is supposed to pay its own way. It not only competes unnecessarily and unfairly with private carriers but requires taxpayers to make up the difference between low rates and higher costs.

Post office reports do not include annual costs in excess of $43 million attributable to 4th class mail which are paid by other Government departments, nor do they include annual interest charges on the accumulated deficit of $1.2 billion from parcel post operations.

Commercial customers of this "lemonade stand" operation naturally find Government's services "cheaper." That's why they seek to perpetuate and even extend their special advantage at everyone else's expense.

There *is* something that can be done about it.

The Hoover Commission, along with many others, has recommended legislation to Congress which would require parcel post shippers to pay *all* the costs that are properly chargeable.

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Some Observations

At the Iron Curtain

F. A. Harper

Here one may compare life in the planned society with that of comparatively free people.

BERLIN, GERMANY, AUGUST 31 — Today I visited East Berlin. And there hangs an interesting and tragic story, in the opinion of this observer at least.

The trip was made with ease and seeming safety. Occasionally we would be greeted, in passing, by a Russian soldier on guard, but little more. At least I was not invited to be a "guest" for twenty-five years or so in the salt mines of Siberia.

Anyone can tour East Berlin if he chooses. The real danger in passing beyond the Iron Curtain is the extreme unpredictability of a planned society and of the police state. This may seem to be a paradox. For the proponents of a planned society claim that foresight and planning will bring stability, security, and the removal of all those uncertainties they charge against a free society.

On the contrary, in a command society of this sort where authority is centralized, the whims and uncertainties of the single top commander of the entire system are substituted for and prevail over the whims and uncertainties of individuals operating their own limited and separate affairs in a free society. It is a simple fact that any one person is less predictable than an average of many persons — a principle by which insurance companies operate.

And so the great danger of a visit to East Berlin seemed to be that one might enter without restraint at 1:00 p.m., intending to return, likewise without restraint, several hours later, but that the rules might be changed while he is there. Due to this universal unpredictability of a planned society, there is therefore the risk that the orders might be changed at 2:00 p.m. while one is still there, thus preventing his return for some reason he could not have foreseen. That is the risk one must take in such a visit.

Dr. Harper is a member of the staff of the Foundation for Economic Education.

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For the first time in my life I clearly felt this sort of uncertainty which permeates everything in an extremely planned, authoritarian society—the "ordered society." One does not know at 1:00 o'clock what will be "planned" for him at 2:00 o'clock. And if such a constant threat be security, I do not know what the word means.

The Division of Berlin

Speaking only as one private person, unofficially and admittedly without all the facts which then confronted the Allied High Command, the division of Berlin always seemed to me to be a tragedy of the first order. Visiting both the East and West Zones of the city and making observations at first hand further confirms that opinion.

Imagine, if you will, attempting to resolve a conflict between the Marxian socialists and the lovers of traditional liberalism in the City of New York by dividing the east from the west—say at Fifth Avenue. The east sector would be given to the Marxians and the west sector to the anti-Marxians.

To make the parallel more accurate, one must assume that the political administrations of the two sectors had recently been in mortal combat; that suspicions, distrust, and antipathy were still acute between the two regimes.

Try as I may, I can hardly conceive of a setting more threatening of continuous conflict. It would seem like a house divided within itself, in the worst sense, with a division that is political. What was previously an integrated whole so far as trade, transportation, and communication are concerned, becomes one oriented around chronic conflict with a rigid separation geographically.

An Exhibit of the Planned Society

But perhaps one may find some usefulness in what seems to be the tragedy of this division of Berlin, for here is an interesting experiment. In East Berlin we have a sector ruled by a regime that is presumed to be devoted to the welfare of "the common man." It is the kind of society which the socialists claim will free the ordinary person from the insecurity and poverty of the "dog-eat-dog" world of a free society. He is to be secured against the alleged evils of a competitive economy of private enterprise and personal ownership of property. The political rule of East Berlin is claimed to be a "liberation" of the people from the insecurities and "robber economy" of laissez faire.

Across the line in West Berlin, on the contrary, there prevails to a high degree the free economy with its incentive system of free markets. These are the so-called evils of a free society, against which

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East Berlin is supposed to protect the common man.

Against this background, please note these significant facts: Today's *Der Tagesspiegel* newspaper reports that during the past month 15,200 persons officially migrated from East Berlin to West Berlin. This is 1,000 more than in August 1955.

During the first eight months of 1956 the total was 115,000 persons. This compares with 85,000 during the same months of 1955, or an increase of one-third. There is only a slight movement from West to East.

At this rate, the equivalent of the entire population of East Berlin would go to West Germany in seven and one-half years. Such a rate must be something of historical note for any area other than in the throes of active combat. Not all of the migrants, of course, were from East Berlin originally. Many came from elsewhere in East Germany, simply using East Berlin as the best gateway to be found along the long border between East Germany and West Germany.

It is to be noted that these figures include only those arrivals who register officially in West Berlin. An unknown additional number do not register, so the figures understate the total migration.

The crucial question is this: If socialism by such an authoritarian

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design really accomplishes its claim of benefiting the common man and protecting him from the cruel hazards of a relatively free society of private ownership and free exchange, why is this intense migration occurring? Why, if it works out that way, is not the migration moving in the opposite direction—from West Berlin to the heaven of "welfare of the common man" in East Berlin? Can it be that 172,500 persons yearly are so ignorant and foolish as to migrate to *less* welfare, when the two are accessible side by side and can be viewed by anyone who wishes to take a look? They can all talk daily with the common people in both parts, as a basis for their decisions.

A Dying Half City

The unbelievable destruction of central Berlin extends into both sectors. But it is in East Berlin where one has the feeling of traveling through an urban corpse. Few people are wandering around among the ruins there, in sharp contrast to the bustling activity across the line in West Berlin. The migration figures verify the clear impression one gets in visiting the two parts.

In East Berlin the appearance of the people reflects a hopeless and pointless existence, whereas in the West sector there is evidence of some real hope and the driving enthusiasm which this hope brings.

In East Berlin, generally, there is relatively little reconstruction going on. The people are living in the ruins as best they can, without evidence of an attempt to improve their plight under their own hopeful initiative. In West Berlin, on the other hand, there is a beehive of reconstruction activity of all sorts.

I have three distinct impressions of what I saw in East Berlin, so far as structures are concerned. First, from the standpoint of luxury of structure and appearance, was the colossal War Memorial. It was lined with monumental structures inscribed with quotes from Stalin, and the like. One may be full of sympathy, of course, for the victims and their families who suffered privation and death for a cause some of them doubtless disfavored, or who may have been following their duty as they saw it. But beyond that is a dominant feeling that the motivation for the design of this War Memorial was the glorification of the Authoritarian State itself and its dictatorial leaders. How otherwise explain why these luxurious marble structures were built instead of using the materials and effort to provide housing and food for the common man?

Second was the rather impressive front of the structures along

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one street down which we passed, namely, Stalinallee. Lining both sides of this street are fine masonry buildings several stories high. On the ground floors there commonly are stores. They are all State stores. Only occasionally were people seen doing business in these stores. Since things are rationed strictly and since incomes are so low relative to the rationed necessities of bare existence, how can the "protected common man" buy anything? He just doesn't have use for this fine appearing line of stores, except as a place to stand outside, yearning.

Lastly, immediately behind this façade facing Stalinallee, and almost everywhere else, we saw only the dull, distressing remnants of destruction. Little was being done except in places some of my friends came to call "Showallee" (Stalinallee). It brought to mind the joking accusations about a farmer in our community when I was a boy. It was said that the farmer spread all the fertilizer along the few feet of crops adjoining the road. He seemed more concerned about creating untypical impressions of his farming ability among the passers-by than about the appetites of the wheat and corn plants in the unlucky rows located more than a few feet from the road.

Such are the impressions of one observer of the experiment created by the seeming tragedy of dividing Berlin. It is a city divided between a relatively free half and a slave half, between the incentive of private initiative as against the "security" of an authoritarian society. It gives the feeling of what it would be like to view a person who had applied a "welfare salve" to half of his body, causing it to rot and waste away, while the other half continues in health and vitality.

My sympathies are deeply with the victims of the half that is a "society for the common man." One is reminded of the several communist communities started in many parts of the United States a century or more ago, which have all failed due to the errors of their theories of welfare. They served as fine educational experiments for those outside to watch and ponder. In a like manner, all the world should view this experiment of Berlin and ponder its lessons, thoughtfully and prayerfully. For we must all live on performance rather than on promises, on bread and meat rather than on words about security from politicians.

A divided Berlin and the conclusions of those in the experiment—the 172,500 migrants yearly at the present rate, and all others who must be packing their migratory bags — should be evidence above doubt.

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The Myth of Capitalist Colonialism

Hans F. Sennholz

The exploitation of colonial possessions is inconsistent with the concepts of competitive private enterprise and voluntary exchange.

WHEN the Egyptian government seized the Suez Canal Company's property, the American public again became aware of the world-wide movement of anti-colonialism. The eyes of the West, usually fixed on the Iron Curtain, now suddenly turned to the dark clouds over Suez.

In the past few years the governments in nearly all underdeveloped areas have attacked the political and economic position of the West. Discriminatory controls have been imposed upon Western trade and investments. Whole industries built and owned by American or European businessmen have been seized and confiscated. The West was just recuperating from the shocks inflicted by Iran's oil nationalization and Indonesia's repudiation of her debt to the Netherlands, when Egypt nationalized the Suez Canal.

The anti-Western movement of trade restriction, debt repudiation, and nationalization of private property is accompanied by strong agitation for "freedom from colonial rule." Since 1946 about 680 million people in Asia and Africa have in fact achieved national independence.

This world movement has all the characteristics of a synthesis of socialism and nationalism. It is socialist by way of its governmental controls over the national economy and its gradual abolition of private property in the means of production. It is nationalist insofar as it militantly advocates national independence and incites hostility toward foreign influence.

Both ideologies had their early roots in European soil. In countless incidents the governments of European nations nationalized important industries or seized them through a multiplicity of controls. And nationalism in Europe ran rampant, leading to a number of aggressions and wars. Having demonstrated repeatedly the seemingly unlimited power of collectivist governments, the white man now reaps the whirlwind of his own making. In this respect the Western nations bear full respon-

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sibility for the revolt of the black, the brown, and the yellow peoples against the white man's world order. Their uprise merely signals complete adoption of the prevailing Western ideologies.

American Sympathy for Backward Nations

The American public is confused and bewildered by the present train of events. Consideration for our European alliances demands that we befriend the European nations, or at least do not oppose their vital interests. On the other hand, Americans entertain great sympathy for colonial nations in their drive for national independence. This discord of American feeling often finds its reflection in our uncertain foreign policies.

Our sympathy for the colonial peoples and our hostility against colonialism stemmed originally from our liberal conception of the natural rights of all men. Liberty and independence were precious ideals worth every sacrifice to gain and defend.

But the nineteenth century liberals often committed tragic blunders by encouraging liberation movements which in fact were nationalist movements toward the substitution of one collectivist order for another. The concepts of individual liberty and the inviolability of property rights were so foreign to most dependent nations that their uprising meant only the displacement of the established order by an even less desirable order.

Present-day American sympathy for the new countries and their economic policies mainly stems from two other sources. Our welfare planners are enthusiastic about every new scheme of central planning on the part of any government. Full moral and economic support from Washington is assured to every government that announces central plans of "construction" and "development." Thousands of young Americans are being sent out to foreign governments to advise and instruct them in the "science of central planning."

Finally, the present sympathy for the new nations partially stems from the American search for new friends and allies in our opposition to world communism. Many billions of dollars of American tax funds were poured into the laps of governments of underdeveloped areas in the hope for gratitude and friendship in return. But with a few notable exceptions the new Asian and African countries are stanchly neutralist and oppose any regional defense agreement with the West. They demand and take American aid, but continue to flirt with the Kremlin.

Echoing the communist leaders

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in their attacks on the West, they level the charge that Western colonialism has kept the economically backward nations subjugated for more than two centuries. Western capitalism tortured and exploited colonial people, they say, until they began to free themselves from the strangling grip of capitalism.

The Marxian Interpretation of Colonialism

This is by no means a new charge. The writings of the arch communists, Marx and Lenin, are full of expositions on colonialism. From London and Zurich they made their famous observations which then were spread through communist propaganda channels into all literature. Today there is hardly a textbook on recent history that is not perverted in one form or another by Marxian and Leninian ideas on capitalist colonialism.

What a communist conceives to be "colonialism" is in the words of V. I. Lenin "the territorial expansion of the system of exploitation of labor by capital." New human capital is drawn into the orbit of wage slavery through colonial conquest. Once the world was divided among the colonial states of Western Europe, finance capital—especially from America—then became the decisive power of subjugating whole countries and nations to the capitalist profit greediness, even though these nations retained their political independence. The latter stage often is labeled "capitalist imperialism."

The very premise of "capitalist exploitation" is an absurdity. Where the price of labor is determined through the operation of demand and supply in a free labor market, exploitation is impossible. Only where the mobility of labor is impeded through government decrees and regulations can labor possibly be underpaid. Indeed, true exploitation may be observed in all socialist and communist economies.

Equally untenable is the communist contention regarding American financiers and their imperialist endeavors. By investing their capital funds abroad they increase the productivity of the backward areas. They attract the services of foreign labor not by brute force, but through higher wages and better living conditions. Of course, their incentive is the possibility of profits to be derived from the new wealth created through their initiative.

Colonies Acquired under Mercantilism and Nationalism

The existence of colonies, i.e., underdeveloped territories dependent on a ruling power, is not a phenomenon of capitalism, as its enemies so ardently contend, but of the very absence of it. The colonial

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empires of the Western nations were built in periods of *mercantilism* or rising *nationalism*. During the short intervening age of capitalism, colonies were considered inherited burdens to be disposed of sooner or later. "Our colonies are millstones around our necks," said the British stateman, Disraeli, in 1852 when Great Britain was about to embark upon her famous open-door policy.

During the seventeenth and eighteenth centuries England, Holland, France, and Spain were the foremost colonial powers. That was the age of mercantilism. And mercantilist ideas led governments to acquire dependent territories. Every nation endeavored to be self-sufficient through tariffs, other import restrictions, and acquisition of colonies. The balance-of-trade theory prevailed and the notion that one nation's prosperity is another nation's loss and misery determined international relations. Europe was always fighting or preparing to fight.

The adherent of capitalism need not defend the acts of mercantilist governments, for capitalist philosophers and economists have exploded and opposed the doctrines of mercantilism since the beginning of the eighteenth century. Even today they are the bitter enemies of the modern expressions of mercantilist international relations.

The hostile attitude of the fathers of capitalism toward the existence of colonies can easily be recognized by the role they played in the American War of Independence. They were the friends of the colonists and insisted that colonial independence should be granted and maintained even after the War of 1812. Furthermore, has there ever been a more devastating critique of colonialism written than the one by Adam Smith in his famous *Wealth of Nations*? To attach colonialism to capitalism is an obvious absurdity.

Capitalism Transformed the British Empire

Around the 1820's England was practically the only colonial power. The Spanish and Portuguese colonies had become independent and the remaining French and Dutch possessions depended on the grace of the British Navy. But England, at this time, refrained from further expansion of her empire because British liberalism had begun to shape Britain's foreign policies. Capitalism fundamentally began to transform the British Empire into a market economy.

By the middle of the nineteenth century the British overseas settlers were virtually independent—enjoying a dominion status. All other territories dependent on British rule were governed accord-

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ing to open-door principles. Britishers, foreigners, and natives were treated alike. The British Empire became a vast free-trade area in which the British government merely undertook to maintain law and order.

Complete evacuation of all foreign territories would have been the logical solution for British liberalism. But such a step in almost all cases would have brought about anarchy, civil war, and famine in the colonies evacuated. India, for instance, would most likely have disintegrated again into a conglomeration of maharaja states fiercely fighting each other. The natives themselves, therefore, approved of British rule. This is clearly attested to by the fact that tiny occupation forces sufficed to maintain peace and order among natives outnumbering them immensely.

And yet in spite of her most beneficial administration, England today is reaping the bitter hostility of natives because of her policies of racial segregation. The British civil servants in their exalted positions among the natives seldom withstood the temptation for social snobbishness and racial pride. This grievance on the part of hundreds of millions of Asians undoubtedly contributed to the dissolution of the British Empire in Asia.

Expansion of Colonies under Nationalism

During the last three decades of the nineteenth century the colonies of the Western nations experienced an unprecedented expansion. France vastly expanded her empire in Africa, and Germany acquired dependent territories in Africa and Polynesia. Also Russia, Japan, and the United States occupied new territories in various parts of the world. In all these cases of colonial acquisition adventurous governments under various pretexts seized foreign territories against the interest and advice of business and finance in order to reap cheap glories and advantages for their own administration.

Take the example of *German* colonial acquisition. There is abundant proof that the German bankers and businessmen opposed as senseless every single occupation of colonial territories. Even after the Imperial Government had assumed their administration and established protection and benefits for colonial trade, German business remained disinterested. At the outbreak of World War I less than one-half of one per cent of Germany's foreign trade was conducted with her own colonies. And fewer than 25,000 Germans, most of whom were civil servants and their families, lived in the German

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colonies extending over one million square miles. Almost every major city in the world had a bigger German settlement than existed in all her colonies combined.

The German colonies were acquired by an interventionist government which constantly disparaged capitalism, and loved the display of its own political and military strength. To accuse capitalism for the existence of German colonies acquired by the Iron Chancellor Bismarck and his Kaiser is founded on neither fact nor reason.

In the case of territorial acquisitions by *Japan* and *Russia* the political conditions were similar. Omnipotent governments under their absolute sovereigns embarked upon colonial conquest under various pretexts. No matter what their stated reasons, Japan and Russia did not invade foreign countries because of pressure by conspiring businessmen, or to improve the lot of their capitalists whom they despised and taxed, and whose property they nationalized. Neither the Czar nor the Mikado was a stooge of his subject bankers and merchants. Had they been advised by their businessmen, they would have learned that prosperity results from voluntary exchange, not from suppression and plunder.

During this period of nationalist and interventionist colonization *France* was a republic. But the military debacles of the Franco-German War of 1870 severely hurt the pride and self-confidence of the French Army. It urgently needed new fields of activity from which to feed again its pride and glory and display its fighting morale to itself and the world. And it found a welcome opportunity in the campaigns against the natives of North Africa. In these adventures the French Republic was greatly encouraged by Bismarck who hoped that the French would then forget the Franco-German War and the provinces Alsace-Lorraine ceded to Germany. The following expansion of the French colonial empire thus was the outcome of diplomatic considerations and feelings of military glory and pride. The French generals fighting in the passes of the Atlas Mountains wanted war with the natives, not trade relations.

Also, the *American* acquisitions of dependent territories following the Spanish-American War of 1898 were clearly the doings of an ambitious administration. We need not enter into the question of who started the war. But we must bear in mind that the Spanish possession, Cuba, was a subject of American concern for most of the nineteenth century. President Grant even made an unsuccessful offer to buy Cuba.

President McKinley's ultimatum

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to Spain demanded that Spain evacuate Cuba; but in the peace treaty signed in Paris eight months later, Spain had to evacuate not only Cuba, which became independent under U. S. supervision, but also Puerto Rico, Guam, and the Philippines, which became colonial territories of the U. S. A. Now what economic interests could American bankers and businessmen possibly have had in Puerto Rico, Guam, and the Philippines? Even today American trade and investments in these territories remain insignificant. To blame American bankers and brokers for the conquests of a political administration that looked to Europe for guidance, is an outright misrepresentation of facts.

Throughout this period *England* continued to conduct her open-door policies. While the other colonial powers more or less severed their territories from the unhampered world market through tariffs and other trade restrictions, England clung to free trade. At the outbreak of World War I, Great Britain and her colonies were practically the only unhampered part of the world market. Several times during this period Britain expanded her territorial control over underdeveloped areas merely to safeguard the world market and its international division of labor. Occupation by any other colonial power would have meant further destruction of world trade and aggravation of international relations through more trade barriers.

Britain Follows Suit

But toward the end of the nineteenth century the spirit of interventionist colonization also came to Great Britain. It was the time of the Fabians and the growth of social conflict through socialist and neo-mercantilist ideas. "To solve the social conflict and to spare England a murderous civil war, we colonial politicians must acquire new territories which are to receive our surplus population." This was Cecil Rhodes' excuse for his colonial conquests in South Africa; and his reasoning was socialist, if not Marxian. A liberal philosopher or economist finds no social conflict in capitalism, rejecting the Marxian doctrine of proletarian revolution and denying the possibility of exploitation in capitalism which, according to all our experience, improves the living conditions of the workers. He knows that capitalist countries are the desired targets of immigration; not emigration, as Rhodes believed.

Today the British Commonwealth is a "system of cooperation" in which the member nations have pledged to grant each other "preferential treatment" as to their protective tariff barriers. In this age of numerous trade restrictions the

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British nations grant each other 10 to 15 per cent relief from their tariff restraints. But tariffs are the least important means of restriction at the disposal of modern government. The British Empire indeed has become an area of mutual trade barriers with insignificant tariff preferences for member states. And with every new trade restriction the dissolution of the Empire follows step by step.

It is a sad fact that the Asian and African nations who have gained, or sooner or later will gain, their liberation and independence, are animated by ideas of nationalism and other forms of collectivism. They despise and sneer at the Western concepts of individual liberty and capitalism. Encouraged by the West's own abandonment of capitalism and by the slogans of communism, they hate and abuse the very system that offers the only solution to their poverty. To them, political independence offers an opportunity to confiscate and nationalize prosperous industries, to destroy their own currencies, to further disrupt the international division of production, and to introduce other anti-capitalist measures. The inevitable outcome of such a philosophy must be oppression, anarchy, and disaster.

A Costly Monopoly

THE MONOPOLY of the colony trade, therefore, like all the other mean and malignant expedients of the mercantile system, depresses the industry of all other countries, but chiefly that of the colonies, without in the least increasing, but on the contrary diminishing, that of the country in whose favour it is established. . . .

To propose that Great Britain should voluntarily give up all authority over her colonies, and leave them to elect their own magistrates, to enact their own laws, and to make peace and war as they might think proper, would be to propose such a measure as never was, and never will be adopted, by any nation in the world. No nation ever voluntarily gave up the dominion of any province, how troublesome soever it might be to govern it, and how small soever the revenue which it afforded might be in proportion to the expence which it occasioned. Such sacrifices, though they might frequently be agreeable to the interest, are always mortifying to the pride of every nation, and what is perhaps of still greater consequence, they are always contrary to the private interest of the governing part of it. . . .

ADAM SMITH, *The Wealth of Nations*

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A Case of Corruption

DIONYSIUS, the storied tyrant of Syracuse, was a consummate financier. His gift stood him in good stead on the day he found himself in bankrupt condition, having borrowed from the citizenry more than he could repay. He might have increased taxes and satisfied his creditors with their own money, but he did not because, presumably, his levies had reached the point of diminishing returns; an increase could have discouraged production, or caused a flight of capital, and thus dried up the source of his income. That would not do. And yet, the debts had to be met, because repudiation would have blemished his reputation and impaired the national credit; no one would have lent him a plugged Syracusan dime thereafter.

In this predicament, Dionysius worked out a scheme that has come to the rescue of national profligacy ever since. He called in all the coin of his realm, known as drachmas, restamped them so that each drachma became two, and, after paying off his debts with the revalued money, returned to the owners many more drachmas than they had been obliged to turn in. No doubt the Syracusans were delighted by the operation; their advances to the tyrant were paid up in full and their non-monetary assets had suddenly doubled in price. He was probably praised for this financial feat.

In twenty-two centuries men do a lot of thinking and out of this cerebration come new ways of doing old things. Like Dionysius, latter-day politicians — that is, that segment of the population to whom the behavior of the rest is entrusted — sometimes find themselves without the wherewithal needed to defray the costs of glorious adventures and, having stretched taxation to the breaking point, resort to borrowing. They convince the citizens that not only will their savings be spent in ways that will redound to their benefit, but that they will be rewarded for their faith with annual increment. To back up the latter claim, the lenders receive imposingly printed

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receipts for the amounts loaned, bearing a solemn promise that the holder will receive interest payments at regular intervals. Now, in one way or another, these receipts become monetized, and Society is deluged with new coin of the realm, even as were the Syracusans when their drachmas were restamped. Everybody is "enriched." This modern financial wizardry is a vast improvement on Dionysius' method in that it is more devious.

Evidently, Dionysius had not thought of this receipt business; for if he had, he would never have found himself in the aforesaid predicament. He would never have been faced with bankruptcy. For, among its other advantages, this modern receipt bears a maturity date, usually falling in the next generation, to the relief of the immediate borrower; furthermore, through refinancing and funding methods this date acquires the unique capacity of extending itself into eternity, so that the loan need never be repaid. On the other hand, the lender or his offspring can always be sure of receiving interest, since as a taxpayer he provides the funds.

We have no doubt that Dionysius' ministers fortified him with a learned dissertation on the virtues of his restamping scheme. His modern counterpart not only has ministers to advise him but also professors of economics to explain to the public how inflation improves abundance in their pantries.

IN EVERY AGE political power has lent itself to purposes that are uneconomic and antisocial; it has never hesitated to purchase support with confiscated property. For the ancients it may be said that they conducted the business in a forthright manner, unadorned with moralism; the Caesars did not invoke an ideology to cover up the real objective of "bread and games." Today, political preferment and the augmentation of political power is accomplished in the same way — with subsidies of all sorts, paid for by taxpayers—but the business is conducted under a panoply of rectitude. Our politicians do not purchase votes, they advocate "social" programs. It comes to the same thing.

History is replete with illustrative matter, and the temptation is strong to adduce examples showing that only in forms and details have the confiscatory practices of political power undergone change. But, considering the character of authority, what else can it do? Political power is not a factor in production; it cannot contribute a single loaf of bread or pair of shoes to the market place; the things that satisfy human desires result from the application of labor to raw mate-

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rials, and in that process political power is out of its element. The best it can do to promote production is to maintain a climate of tranquillity. When it undertakes to intervene in the market place, it is equipped for nothing else than taking what it finds. The more it takes, the less there is for Society to get along on, and the depletion causes an attitude of dependence on the confiscatory power. This attitude is enhanced when selected groups become beneficiaries of the confiscation; they are then beholden to political power for their welfare, and support and adulation of the benefactor is a natural reaction. Political power thrives on confiscation.

A COMPARISON between the early American political establishment and the present one brings out the point. When in 1789 the economy of the country was largely agricultural and its total wealth was measured in millions, the scope of political authority was sharply delimited. Its interventions increased in number and in extent as the productive energy of the people expanded, and now that the wealth of the nation is measured in many billions, the hand of authority is felt in every private endeavor. Its interventionary powers are made possible by its appropriation of one-third of all that is produced.

When the nature of political power is put under the microscope of analysis, its incorrigible penchant for predation becomes understandable. For then one sees that political power is not "in the nature of things," but in the nature of man. It is not, like the force of gravity, self-operating and inexorable, but is an expedient devised by man to facilitate his urge for acquiring satisfactions with the least expenditure of labor. In essence, political power is the physical power, or the threat of it, that one man or a group of men may bring to bear on other men to effect behavior. It may originate in a body of social sanctions, but it is hardly political power until these sanctions are implemented with a police force. In any case, it is exercised by human beings, and therefore must be related to the all-pervasive law of human action, the drive to get the most for the least.

Since all human beings are dominated by this inner drive, political power is always subject to competition, and one-man domination of the group is possible only when the group is small enough for one man to intimidate. In a real sense, there cannot be an absolute monarch of a nation; political power must have a base broad enough to support the pinnacle, and rulership which seems to be identified with one man's will is in fact exercised by an oligarchy or a bureaucracy.

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Political power must have allies, men who support it because it is to their interest to support it. William of Normandy consolidated his conquest of England by dividing its land among his favorites, so that they could live well on the produce of vassals and serfs. For a similar reason modern politicians have granted special privileges. In all cases the beneficiaries of political power have been won over to its support.

It is this need of a broad base that accounts for the predatory practices of political institutions. The crown rests uneasily on the royal brow until it is held firmly in position by the loyalty of subjects who partake or hope to partake of the substantial privileges at his disposal; and an elected official likewise needs the votes or campaign contributions of constituents who expect to profit by his elevation to power. What manner of fare can he possibly spread before them? Only what he can extract from the larder of production. He has nothing else.

THE ADVENT of popular suffrage did not change the nature of political power nor affect its practices. The doctrine on which suffrage rests is that sovereignty—which is protocol for power—resides in the voters, as a permanent possession, and that they merely loan it for a time to their selected rulers. Upon analysis, the doctrine boils down to the idea that each voter holds in his hands on election day a small piece of the power that once centered in a king. But, even as the king thought of power in terms of his prerogatives and perquisites, so is the voter, in casting his ballot, influenced by his material condition or expectation of improvement. He assumes that his personal economy is tied in with the political power of distribution, not with his own productive capacity, and the assumption seems valid enough when he observes that some of his fellow voters do well at the public trough. Yet, his minuscule piece of power is by itself unable to push him into a favorable position, especially as it is in competition with millions of others of like value. It is necessary for him to add his vote to many others so that the combined total will achieve the sovereign divinity of fifty-one per cent. Thus comes the pressure group system of utilizing political power for acquiring pecuniary advantages.

But, what is the profit in rulership? What does the wielder of political power—also a human—hope to gain from the bargain he makes with those who put the scepter in his hands? That depends on the values of the individual politician, but taking the breed as a whole into consideration, the desires that drive them to seek office are exactly

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those that motivated Charlemagne: the perquisites and prerogatives attendant thereto. What else can one derive from political labors? Putting aside the perquisites, including the crude bribe and the more sophisticated and legal methods of participating directly or indirectly in the economic advantages he grants his favorites, he measures his gain in the satisfaction of a desire that is often stronger than the yearning for creature comforts.

Just as some people find more pleasure in music than in food, more satisfaction in climbing a high mountain than in luxurious living, so do others find their *summum bonum* in the pomp and circumstance of political life or in the sense of self-importance that the exercise of power stimulates. It is an ego-profit that one derives from the making and administration of rules that others must obey, and with many of us this is of inestimable value. Otherwise, how account for the unseemly strife for office that men with pretensions to character engage in? "Long live the king" is the upholstery of the throne.

So, the predatory political institution that emerges when Society reaches the capitalistic stage is compounded of vanity and cupidity.

But, there must be some means of restraining Cain from going after Abel's hide and property, lest human life go the way of the dinosaur. There cannot be a Society until there is a market place, and there cannot be a market place until security of possession is assured. Without that assurance the individual will not strive to improve his circumstances, and production will drop to the level of mere subsistence; man will be little better than an animal, a status against which his primordial compulsions revolt. It is for that reason that he sets up a machinery for the protection of life and property, even against himself, a machinery to which he gives the name of government.

"To secure these (inalienable) rights (to life, liberty, and the pursuit of happiness)," says the best phrasing of the subject, "governments are instituted among men." It follows that if there were some way of securing these rights without government, men would not institute it. And it also follows that when government employs its monopoly of coercion for purposes which violate these rights, it ceases to be government. It is some other kind of concern, even as a merchantman that turns to piracy cannot be classified as a merchantman. When the committee in charge of the power of compulsion uses it to confiscate property, it cannot lay claim to the name of government. It is a power-fed corruption.

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Self-Help

Samuel Smiles

HEAVEN helps those who help themselves" is a well-tried maxim, embodying in a small compass the results of vast human experience. The spirit of self-help is the root of all genuine growth in the individual; and, exhibited in the lives of many, it constitutes the true source of national vigor and strength. Help from without is often enfeebling in its effects, but help from within invariably invigorates. Whatever is done *for* men or classes, to a certain extent takes away the stimulus and necessity of doing for themselves; and where men are subjected to over-guidance and over-government, the inevitable tendency is to render them comparatively helpless.

Even the best institutions can give a man no active help. Perhaps the most they can do is to leave him free to develop himself and improve his individual condition. But in all times men have been prone to believe that their happiness and well-being were to be secured by means of institutions rather than by their own conduct. Hence the value of legislation as an agent in human advancement has usually been much over-estimated. To constitute the millionth part of a Legislature, by voting for one or two men once in three or five years, however conscientiously this duty may be performed, can exercise but little active influence upon any man's life and character. Moreover, it is every day becoming more clearly understood that the function of Government is negative and restrictive, rather than positive and active; being resolvable principally into protection—protection of life, liberty, and property. Laws, wisely administered, will secure men in the enjoyment of the fruits of their labor, whether of mind or body, at a comparatively small personal sacrifice; but no laws, however stringent, can make the idle industrious, the thriftless provident, or the drunken sober. Such reforms can only be effected by means of individual action, economy, and self-denial; by better hab-

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Though trained as a physician at Edinburgh, Samuel Smiles (1812-1904) was best known as an author. Self-Help, *"with illustrations of Character, Conduct, and Perseverance," was published in 1859 and translated in 17 languages. The book grew out of a series of lectures before a group of young men gathered for mutual improvement: "Those who knew a little taught those who knew less—improving themselves while they improved the others." Presented here are selections from Chapter I of the book.*

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its, rather than by greater rights....

If this view be correct, then it follows that the highest patriotism and philanthropy consist, not so much in altering laws and modifying institutions, as in helping and stimulating men to elevate and improve themselves by their own free and independent individual action.

IT MAY BE of comparatively little consequence how a man is governed from without, whilst every thing depends upon how he governs himself from within. The greatest slave is not he who is ruled by a despot, great though that evil be, but he who is the thrall of his own moral ignorance, selfishness, and vice. Nations who are thus enslaved at heart can not be freed by any mere changes of masters or of institutions; and so long as the fatal delusion prevails, that liberty solely depends upon and consists in government, so long will such changes, no matter at what cost they may be effected, have as little practical and lasting result as the shifting of the figures in a phantasmagoria. The solid foundations of liberty must rest upon individual character; which is also the only sure guaranty for social security and national progress. John Stuart Mill truly observes that "even despotism does not produce its worst effects so long as individuality exists under it; and whatever crushes individuality *is* despotism, by whatever name it be called."

Samuel Smiles

There Is No Public Mind

FOR IN THE LAST ANALYSIS, the thought and conscience of the individual man are the *only thought and conscience there are.* We talk about the state as if it were a single organism with a mind and will of its own: for the most part this figure of speech serves well enough, but it is a mere analogy, and at this point it fails. There is, in literal truth, no public mind: there are only the minds of the persons composing the public. There is no public conscience; there are only their several consciences. Dry these functions up, or bind the life out of them, and all the mental and moral life of the public is stopped at its source.

WILLIAM ERNEST HOCKING, *The Lasting Elements of Individualism*
Yale University Press, 1937

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The Tax Collector

Frédéric Bastiat

Frédéric Bastiat (1801-1850), French economist, statesman, and author, was quite as perturbed by the demands of the nineteenth century tax collector as are many citizens today.

SCENE: A wine cellar in France
CHARACTERS: Jacques Bonhomme, *Vine-grower*
M. Lasouche, *Tax Collector*

L. You have secured twenty tuns of wine?

J. Yes, with much care and sweat.

—Be so kind as to give me six of the best.

—Six tuns out of twenty! Good heavens! You want to ruin me. If you please, what do you propose to do with them?

—The first will be given to the creditors of the State. When one has debts, the least one can do is to pay the interest.

—Where did the principal go?

—It would take too long to tell. A part of it was once upon a time put in cartridges, which made the finest smoke in the world; with another part men were hired who were maimed on foreign ground, after having ravaged it. Then, when these expenses brought the enemy upon us, he would not leave without taking money with him, which we had to borrow.

—What good do I get from it now?

—The satisfaction of saying:

How proud am I of being a Frenchman
When I behold the triumphal column!

—And the humiliation of leaving to my heirs an estate burdened with a perpetual rent. Still one must pay what he owes, no matter how foolish a use may have been made of the money. That accounts for one tun, but the five others?

—One is required to pay for public services, the civil list, the judges who decree the restitution of the bit of land your neighbor wants to appropriate, the policemen who drive away robbers while you sleep, the men who repair the road leading to the city, the priest who baptizes your children, the teacher who educates them, and myself, your servant, who does not work for nothing.

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—Certainly, service for service. There is nothing to say against that. I had rather make a bargain directly with my priest and my schoolmaster, but I do not insist on this. So much for the second tun. This leaves four, however.

—Do you believe that two would be too much for your share of the army and navy expenses?

—Alas, it is little compared with what they have cost me already. They have taken from me two sons whom I tenderly loved.

—The balance of power in Europe must be maintained.

—Well, good heavens! the balance of power would be the same if these forces were everywhere reduced a half or three-quarters. We should save our children and our money. It needs only to be understood.

—Yes, but it is not understood.

—That is what amazes me. For every one suffers from it.

—You wished it so, Jacques Bonhomme.

—You are jesting, my dear Mr. Collector; have I a vote in the legislative halls?

—Whom did you support for Deputy?

—An excellent General, who will be a Marshal presently, if God spares his life.

—On what does this excellent General live?

—My tuns, I presume.

—And what would happen were he to vote for a reduction of the army and your military establishment?

—Instead of being made a Marshal, he would be retired.

—Do you understand now that you yourself have —

—Let us pass to the fifth tun, I beg of you.

—That goes to Algeria.

—To Algeria! And they tell me that Mussulmans are not wine-drinkers, the barbarians! I have often asked myself whether they are ignorant of claret because they are infidels, or, which is more likely, whether they are infidels because they are ignorant of claret. Besides, what services will they give me in exchange for this ambrosia, which has cost me so much labor?

—None at all; it is not intended for Mussulmans, but for good Christians who spend their days in Barbary.

—What can they do there which will be of service to me?

—Undertake and undergo raids; kill and be killed; get dysenteries and come home to be doctored; dig harbors, make roads, build villages, and people them with Maltese, Italians, Spaniards, and Swiss, who live on your tun, and many others which I shall come in the future to ask of you.

—Mercy! This is too much, and

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I flatly refuse you my tun. They would send a vine-grower who did such foolish acts to the madhouse. Make roads in the Atlas Mountains, when I cannot get out of my own house! Dig ports in Barbary when the Garonne fills up with sand every day! Take from me my children whom I love, in order to torment Arabs! Make me pay for the houses, grain, and horses, given to the Greeks and Maltese, when there are so many poor around us!

—The poor! Exactly; they free the country of this *superfluity*.

—Oh, yes, by sending after them to Algeria the money which would enable them to live here.

—But then you lay the basis of a *great empire*, you carry *civilization* into Africa, and you crown your country with immortal glory.

—You are a poet, my dear Collector; but I am a vine-grower, and I refuse.

—Think that in a few thousand years you will get back your advances a hundredfold. All those who have charge of the enterprise say so.

—At first they asked me for one cask of wine to meet expenses, then two, then three, and now I am taxed a tun. I persist in my refusal.

—It is too late. Your *representative* has agreed that you shall give a tun.

—That is but too true. Cursed weakness! It seems to me that I was unwise in making him my agent; for what is there in common between the General of an army and the poor owner of a vineyard?

—You see well that there is something in common between you, were it only the wine you make, and which, in your name, he votes to himself.

—Laugh at me; I deserve it, Mr. Collector. But be reasonable, and leave me the sixth tun at least. The interest of the debt is paid, the civil list provided for, the public service assured, and the war in Africa perpetuated. What more do you want?

—The bargain is not made with me. You must tell your desires to the General. *He* has disposed of your vintage.

—But what do you propose to do with this poor tun, the flower of my stock? Come, taste this wine. What a mellow, full-bodied, velvety quality!

—Excellent, delicious! It will suit D——, the cloth manufacturer, admirably.

—D——, the manufacturer! What do you mean?

—That he will make a good bargain out of it.

—How? What is that? I do not understand you.

—Do you not know that D——

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has started a magnificent establishment very useful to the country, but which loses much money every year?

—I regret it with all my heart. But what can I do about it?

—The Legislature saw that if things went on thus, D—— would have the alternative of performing better or closing his factory.

—But what connection is there between D——'s bad speculations and my tun?

—The Chamber thought that if it gave D—— a little wine from your cellar, a few bushels of grain taken from your neighbors, and a few pennies cut from the wages of the workingmen, his losses would change into profits.

—This recipe is as infallible as it is ingenious. But it is shockingly unjust. What! Is D—— to cover his losses by taking my wine?

—Not exactly the wine, but the proceeds of it. That is what we call a *bounty for encouragement.* But you look amazed! Do you not see what a great service you render to the country?

—You mean to say to D——?

—To the country. D—— asserts that, thanks to this arrangement, his business prospers, and thus it is, says he, that the country grows rich. That is what he recently said in the Chamber of which he is a member.

—It is outrageous! What! A lout goes into a foolish enterprise, he wastes his capital, and if he extorts from me wine or grain enough to make good his losses, and even to make him a profit, it is called a general gain!

—Your *representative* having come to that conclusion, you have no choice but to give me the six tuns of wine, and sell the fourteen that I leave you for as much as possible.

—That is my business.

—For, you see, it would be very annoying if you did not get a good price for them.

—I will consider it.

—For there are many things which the money you receive must procure.

—I know it, sir. I know it.

—In the first place, if you buy iron to renew your spades and plowshares, a law declares that you must pay the iron-master twice what it is worth.

—Ah, yes; does not the same thing happen in the Black Forest?

—Then, if you need oil, meat, cloth, coal, wool, and sugar, each one by the law will cost you twice what it is worth.

—But this is horrible, frightful, abominable.

—What is the use of these hard words? You yourself, through your *authorized* agent—

—Leave me alone with my authorized agent. I made a very

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strange disposition of my vote, it is true. But they shall deceive me no more, and I will be represented by some good and honest countryman.

—Bah, you will re-elect the worthy General.

—I? I re-elect the General to give away my wine to Africans and manufacturers?

—You will re-elect him, I say.

—That is a little *too much.* I will not re-elect him, if I do not want to.

—But you will want to, and you will re-elect him.

—Let him come here and try. He will see whom he will have to settle with.

—We shall see. Good-bye. I take away your six tuns, and will proceed to divide them as the General has directed.

"Le Precepteur" first appeared in 1845 in *Sophismes Economiques*, First Series.

Excessive Taxation

Paul L. Poirot

FROM widely divergent sources comes recognition that taxes have grown excessive. The graduated income tax has been soundly denounced in theory and in practice by former Commissioner of Internal Revenue, T. Coleman Andrews. Among countless other expressions in similar vein, two bear repeating here.

One, from the September 1956 issue of *Economic Intelligence* published by the Chamber of Commerce of the United States, is entitled, "The 8th Commandment vs. the 16th Amendment":

Students of theology will recognize that all things change over time—even religion. Originally, the 8th Commandment — "Thou Shalt Not Steal"—was unqualified. But today, most social planners are willing to go along with a slight modification: "Thou shalt not steal outside the framework of the democratic process." Of course, it still is not considered "right" for A to go over and rob B, his rich neighbor. But it is quite "right" for A to organize a group of cohorts into "government," levy a tax based on ability to pay (and who can better afford to pay than rich B?) and then proceed to collect from B and redistribute the wealth among A and his henchmen—"expenses of government." To insure

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that everything is truly "democratic," B may even be invited to vote on whether or not he should be so taxed. It's all legal, but some "hard-shell diehards" will wonder if it is ethical.

The other is a resolution introduced by New York Typographical Union No. 6 at the 1956 Convention of the New York State Federation of Labor:

WHEREAS, the income tax as presently constituted has become an overwhelming burden on the people of the United States, and

WHEREAS, this iniquitous legislation has contributed immeasurably to "juvenile delinquency" by forcing the mothers of our youth to abandon the home for the office and factory, and

WHEREAS, even a former head of the Internal Revenue Bureau has publicly condemned the terrific traffic in human labor, and

WHEREAS, every working citizen is compelled to devote one day's labor per week to foster the extravagant wastes, "boondoggling," and downright wantonness involved in the distribution of this "easy money" by thousands of one-world-do-gooders, and

WHEREAS, only an aroused citizenry can put a halt to this never-ending evil, therefore, be it

RESOLVED, that this convention of the New York State Federation of Labor emphatically endorse a mandate to both major parties to incorporate within the framework of their political platform a definite promise to reduce considerably or abolish entirely this hateful legislation.

A libertarian must feel certain gratification when spokesmen for employers and for employees, backed by a former tax-collector, stand so united against excessive taxation. Perhaps it is a vital first step toward correction to have recognized that a given condition — the prevailing tax situation — is a disastrous drain upon the productive capacity of individuals.

But a vital second step, then, is to understand that taxation is the consequence rather than the cause of the excessive governmental intervention that plagues our economy. Taxes are but the price that must be paid for the still widely acclaimed "blessings" of the rigged market and the Welfare State. And the charge that taxes are excessive is simply an admission that this compulsory intervention is not worth the cost.

Real progress back toward freedom will be evident when numerous individuals and groups welcome the risks and the opportunities of open competition and stop seeking special privileges at the expense of someone else. When individuals become more reasonable in their demands for governmental protection and service, then government tax claims against individuals will diminish accordingly — and automatically.

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On Booms and Busts

Anthony M. Reinach

BOOMS are often identified with inflation, and *BUSTS* with deflation, but the extremes of economic activity that are called booms or busts are frequently the result of sheer emotionalism. Most booms start slowly and pick up speed as more and more people grasp the happy but insane notion that trade (which is increasing) will continue to increase indefinitely. In its latter stages, a boom may be fueled by propaganda spread by the few psychologically sophisticated persons who intend to profit from the frenzy.

Such special booms as the tulipmania in seventeenth century Holland, the Florida real estate boom in the 1920's, and the recent Davy Crockett boom in the world of children are commonplace in every generation. Among children, the bust that followed the Davy Crockett fad resulted in no more than the discarding of outdated toys and costumes—with hardly a tear being shed. In the world of adults, however, busts bring despair, and ruined lives and fortunes.

The imagery applied to booms and busts is so colorful that it is likely to obscure the comparatively simple economic forces at work.

The more general kind of boom, currently known as "good times," usually starts as a result of an artificial increase in the monetary supply by government. Prices of certain goods and services start to rise. Then trade increases, because prudent people begin to realize that tomorrow an item will cost more and had therefore better be purchased today.

The initial moderation soon mushrooms into a buying spree. Goods and services are bid to unrealistic prices, even in terms of the increased monetary supply. The briskness of trade permeates society with the delusion of "good business."

After buying and prices have reached a peak, a bust inevitably follows, no matter what controls government may attempt to apply. There is an abrupt let-up in general trade, and on its heels comes a condition known as a business "recession" or a business "depression," the difference being the degree of unemployment. At such times some economists allege that "overpro-

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duction" of goods has resulted in "surpluses."

Why after a bust must a man be plagued for years with a seeming "surplus" of goods, services, and labor?

The law of supply and demand furnishes the answer. Take, for example, the baker and barber who every week have been trading two loaves of bread for one haircut. During the boom, loaves of bread went from 25¢ to 40¢ apiece, while the price of a haircut advanced from 50¢ to 80¢. The baker and the barber continued their weekly transaction. Not even the frenzy of the boom incited them to barter two haircuts for four loaves of bread every week.

Then came the bust, the panic, the depression. Haircuts declined to 40¢; a loaf of bread to 20¢. Still, trade between the baker and the barber kept its usual pace.

With respect to each other, the two acted as sane men would. But neither was that rational in his dealings with customers who pay cash. The baker tried not to cut his price. But when he charged 22¢ for a loaf, he found that unbought bread grew stale on his shelves.

The barber, like his all too-human friend, was also a bit stubborn. He could not quite comprehend why his service, which had recently commanded 80¢, should now be worth only 40¢. He tried to "hold the line" by charging 50¢. But a good many of his customers went to other barbers, or got fewer haircuts, or even trimmed their own hair. He partially disemployed himself.

Admittedly, not every business venture can survive a depression by simply cutting its own selling prices. Some will be saddled with contracts and commitments that preclude continuous production. Thus, there will be business stoppage and unemployment unless wage contracts and other costs are also repriced in line with the new market situation. Even in a panic, "unemployment," "overproduction," and "surplus" as such do not exist. There are only unemployment at a price, overproduction at a price, and surpluses at a price.

THUS came a collapse in manufacturing and commerce just as . . . in all countries where men have tried to build up prosperity on irredeemable paper. . . . The merchant was forced to add to his ordinary profit a sum sufficient to cover probable or possible fluctuations in value, and while prices of products thus went higher, the wages of labor, owing to the number of workmen who were thrown out of employment, went lower.

ANDREW DICKSON WHITE, *Fiat Money Inflation in France*

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Politics in the Market Place

Edmund A. Opitz

HUMAN EXISTENCE has always been precarious. Man is always exposed to natural calamities—including other men. Famines and epidemics have recurred with appalling frequency during history, and entire populations have been ravaged from time to time. There cannot be, in the nature of things, any guarantee that a man will reap where he has sown. Drought or flood may ruin his crops, or some other man may raid the harvest. The producer is constantly threatened by a forcible transfer of his wealth—effected on a small scale by robbery, and on a large scale by war. Men have never learned to live comfortably with the all-pervading uncertainty of life, and they have grasped at every straw which promises to introduce a reasonable security into it.

It is economic uncertainty which makes the modern man most nervous. The Great Depression of the 1930's is kept so fresh in his mind that he is willing to allow a lot of political intervention by the federal government because he believes that there is no other way to prevent a recurrence of the big bust of 1929. If we grant the premise that political action can make the economy depression-proof, it becomes easy to accept the conclusion that it is the duty of government to shore up the economy at every critical point. But is the premise sound? "Probably not," is the conclusion forced upon us by an analysis of the economic and political factors in the situation.

THE MARKET PLACE is the cornerstone of society. The human community does not flower except as men are able to exchange their surplus energies voluntarily as goods, services, and ideas. If individuals were completely self-sufficient, society would be unnecessary, if not inconceivable. A society is impossible unless there be some exchange, and it is rich and complex in the degree to which exchanges multiply; and on every level exchanges multiply naturally unless they are sabotaged. The quality of goods, services, and ideas exchanged will depend, of course, on the endowment and enlightenment of the people who do the exchanging. When economic

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exchanges are voluntary, there is a market economy; if the exchanges are politically controlled or directed, we have a planned society or collectivism.

Collectivism contains its own cure in the long run; the looting of the market place on which it thrives gradually dries up production. The producer will not continue to produce when he realizes that the fruits of his labor are systematically taken away from him. He will tend toward a hand-to-mouth existence. Too many parasites will kill the host.

But it is not collectivism, a completely socialized economy, which is today the real problem for many people. Socialism has been given its chance in several major countries and has been unable to redeem its promises. Political interventionism, or a middle-of-the-road policy, for the sole purpose of "making capitalism work" is the present position of those who distrust the working of a free market system. The boom and bust cycle is inherent in the market economy, they believe, and so they would correct what they regard as the faulty operation of the economic order by political action.

DIVISION OF LABOR, or specialization according to skill — the foundation of any human grouping entitled to be called a society—is the front end of an economic process requiring an exchange of the fruits of specialization for its completion. The benefits of specialization result from the energy thus conserved, but the benefits are dissipated to the extent that exchanges are inhibited. The convenient label for multiple voluntary exchanges is "the market," personified by buyer and seller, and a duality of interest is intrinsic to their relationship.

The seller wants to get a high price for his goods and services, whereas the buyer wants to pay a low price. Buyer and seller haggle over price; and if a sale takes place, it means that each man feels he got the best deal the market offered him at the time. Buyer and seller both feel that exchanging at the mutually acceptable price is better than any available alternative—such as not exchanging at all. Buyer and seller must each have gained at least 51 per cent satisfaction or the transaction would not have jelled. Thus it may be true to say that a cloud of discontent always hangs over the market, but the human situation is not all sunshine. The market is an imperfect device, merely because it consists of people in action, but it is by far the best of all possible alternatives for carrying on the business of society.

On occasion, a paralysis seems

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to settle on the market. Exchanges diminish in number, and production, in consequence, dries up. Is there something in the market process itself which is so self-stultifying that an outside force must intervene to unshackle it? In other words, is an industrial stagnation a free market phenomenon? Or is it the cumulative effect of political interference with the market? Analysis points inexorably toward the latter.

IDLE MEN, idle factories and machines, idle fields and mines betoken an economic depression. The major feature of a depression, as it strikes the public eye, is mass unemployment. Factories are closed, business stagnates, and millions who want jobs can't find them at their price. As the depression lengthens or deepens, human suffering increases. Unmet human wants and needs intensify, but a sort of paralysis seems to prevent these wants and needs from being met in the only way they can be met—by economic activity. Economic activity is, basically, the application of human energy to natural opportunities, aided by tools, i.e., capital. To say that there is mass unemployment is only another way of saying that the three primary factors of production—land, labor, and capital—are not getting together despite their powerful affinity for each other. What's keeping them apart?

Unless land, labor, and capital *can* get together, there is no production. Economic activity, in which these three factors are joined, is a consequence of human wants, needs, and desires which cannot be satisfied except out of production. These wants and needs are, normally, the stimuli that drive a man into productive activity. If man were a creature without wants, or if his wants could be satisfied by wishing, he would not work, and economic activity would decline toward zero. But this is not the problem posed by a depression. In such a depression as this country suffered from 1929 to 1939, economic activity underwent a steep decline in spite of pressing human needs. The urgent unmet needs and wants which are the natural initiators of the productive process by which they can be met, somehow failed to get production going. Land, labor, and capital stayed apart even though urgent human needs exerted their strong pressures to bring these factors together. Something must have counteracted these pressures.

The three factors of production normally join forces in response to human needs. If there are obvious economic needs and no production results from them, the

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clear inference is that some force is at work to keep the three factors apart. There is a monkey wrench in the machinery; if we could identify and remove it, perhaps the machinery would start up again. This monkey wrench is not to be found among economic forces or factors. Thus we are forced to ask: Is it not the intrusion of a noneconomic element which tends to paralyze the productive process?

WHAT IS economic activity? If we carry this question back to its basic level, we are confronted with the facts of biology. Man, as a biological organism, cannot survive unless he can meet his creaturely needs from the products of human labor — his own or some other man's. When these needs are satisfied, man becomes something more than a mere biological organism, and another set of needs comes into play. In his efforts to satisfy these, man engages in the disinterested pursuit of truth, in the quest for beauty, and in worship. These activities are normal to man, but they are not primarily economic activities.

On the economic level, human desires are not constant but recurring. A person eats to the point of satiety, but soon he will be hungry again. He builds a shelter, but after every storm, it needs fixing. Periodically he outgrows his clothing or else it wears out and he needs new. In brief, there are moments when the economic urge ebbs, and in those moments it is natural for land, labor, and capital to lie idle. But shortly, the self-starting cycle gets under way again naturally as satiety wears off and recurring wants and needs reach a certain urgency. This urgency overcomes the natural desire to loaf and take one's ease, and man goes back to work. That is to say, he picks up his tools and starts to dig. In more sophisticated societies he has a wider variety of choices; he may perform functions or render services that appear remote from labor in or upon the earth. But unless someone does the farming and foresting, the mining and fishing, no one will stay long in the professions or the service occupations.

Economic activities are immensely varied, but they are all interrelated. And they are an almost automatic response to the nagging demand of human wants which cannot be satisfied except by the fruits of human labor.

"But this," someone may object, "is Robinson Crusoe economics. It is obvious that Crusoe is not bothered by unemployment because he is his own market. He is steadily employed because his very survival depends on it. But in a

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complex society the situation is quite different." But is the situation so different?

In a simple economy the producer satisfies his own needs directly; he is his own consumer. A complex economy, on the other hand, derives from the discovery that each individual can achieve maximum satisfaction for his own needs and desires by guiding his production according to the consumer demands of other people. That is to say, he produces for the market, and as a result of this specialization there is more of everything for everybody. This results in economic progress—the steady transformation of luxuries into necessities.

The wants and desires of each person are virtually limitless, and human ingenuity continues to devise better ways of satisfying them. Each person in this interrelation thus constitutes an insatiable demand for the goods and services produced by the labor of any other person or combination, and any-other-person-or-combination is therefore faced with all the work he can cope with, and more.

Presumably every person would like to possess a magic formula for satisfying his wants and needs without work, but most of us have learned that the world is not so constructed as to yield up its goods without the expenditure of energy. We have learned that our wants find their fullest satisfaction in the context of the voluntary and reciprocal exchanging of goods and services, which are always in short supply. Everyone wants more goods and services than he now has, and thus there is a constant demand to produce them. Goods and services are the result of applying human energy to the earth's resources, and the context in which they are produced is a job. The insatiable demand for goods and services, then, is equivalent to an endless supply of jobs to meet the demand for economic satisfactions. An endless supply of jobs means a chronic shortage of labor and the prospect of continuous employment.

ON THE BASIS of economic considerations alone it is difficult to see how there could be a shortage of jobs. On the level of production and exchange, how can we account for unemployment in the face of unsatisfied economic demands? To say this is not to deny the fact of depressions; it is merely to suggest that economic paralysis must have noneconomic causes.

Is there some element which is frequently found in association with economic factors but which bears no intrinsic relation to them? The answer is: Yes, gov-

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ernment. There is always politics in the market place, for reasons deeply rooted in human nature. Men being what they are—creatures who seek to satisfy their needs and desires with a minimum of effort, the market place is subject to raids on it by those who try to take something out of it without putting anything commensurate into it. This being so, the market place needs to be defended in order to maintain the energy exchanges which form the matrix of society. The natural elements which compose the market place—goods, services, and ideas set in motion by men seeking varied satisfactions—need a social element to defend the men who engage in the exchange. This element is government, and thus economics becomes involved with political action.

There are few guaranteed results in human affairs. There is no assurance that the extra energy which the market bestows upon people will not be used wrongly and become real evil. Release a man from drudgery and he may explore the furthest reaches of human thought, or he may sink to the depths of degradation. The market place is a blank page. It has no character of its own, but it does respond sensitively to human evaluations, and it does reflect the real appraisal people put upon various items by recording the amount of energy they will expend to get them. Nor is there any assurance that government will not be perverted.

Some men comprising the policing establishment are not long in discovering that they are in a strategic position for conducting predation, and that predation seems to pay better than policing. In conducting this operation they rarely go it alone; they need the partnership of nonpolitical persons who do not wield political power but who benefit by the exercise of it—at the expense of the other members of society. In this operation these men are but following the mandates of a natural urge to seek satisfactions in the easiest manner; they have persuaded themselves that predation is a labor saver—however immoral it might be.

It is this deep-rooted human desire to live at the expense of someone else which, in the first place, gives rise to government as the producer's means of defending himself, and in the second place, causes government itself to go sour and overstep its proper bounds. Unless human beings live a hand-to-mouth existence, this desire cannot be starved out. As soon as men produce a relative abundance, as they will if they

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are free to produce and exchange, the abundance attracts the predator, leaving the producer no choice but to protect himself directly or hire a policeman to protect him. The obvious benefits of specialization result invariably in the selection of the latter method, the employment of an agency which keeps the peace by restraining peacebreakers. The political agency cannot be dispensed with unless society is dispensed with, so the essence of the political problem is the difficult art of keeping government brass-bound and copper-riveted within the norms of morality.

But our contemporaries view the political problem in a different light. Every advanced country today is operating on the fallacious belief that free men left to their own devices cannot take care of their creaturely needs, with the corollary illusion that it is government which organizes society, directs and channels energy exchanges, and provides an object in the service of which men and women may realize themselves. This dubious ideology is collectivism. Collectivism elevates government to a role where it usurps functions that belong to other institutions or to individuals.

Government has enjoyed a cancerous growth in modern times for two reasons. One of these reasons has deep roots in the past; it is ignorance of a proper theory of government which would detail the reasons for establishing government in the first place and set forth the precise moral norms by which it is properly bounded. This demands a clear understanding in the domain of the private and personal, as sharply distinguished from the other-personal; the distinction, in short, of what is mine from what is yours. It is right and my duty to exercise control over what is mine; but it is a moral evil for me to attempt to exercise control over what is yours. It is the great defect of much political thought that this distinction is so feebly made.

THE HISTORY of political theory is largely an account of the means whereby some men are able to control and direct the lives of other men, as the word "govern" itself bears witness. The word is derived from the Latin word meaning "to steer" and the Greek word for "rudder." The new departure in political thought is to be the devising of arrangements by which persons are left free to govern themselves.

The second reason for the cancerous growth of government is the miraculous material productivity of modern times. Popular ignorance of the proper functions of

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the political agency has everywhere resulted in the use of the agency to sabotage the market place for the supposed benefit of some at the expense of others. This evil has been kept pretty well in check throughout history by the almost universal poverty of mankind. Until modern times, there has only rarely been sufficient goods in the market place to warrant the trouble of setting up the political machinery to siphon them off. It is only in modern times, as a result of inventions and the relative freedom of the Liberal Era, that material goods have spewed forth in such abundance as would warrant construction of the political machinery to systematically and legally loot the market place.

Predation is not resorted to unless it is thought to pay; and historically when looting has taken place, it is an *accumulation* of wealth that has been looted. To cite but three out of thousands of examples: the Mongol invasion of China, the Spanish conquest of Peru, the English conquest of India. In each of these instances, a civilization which had accumulated great wealth was subjected to attack and invasion for the primary purpose of looting that wealth. This was the only kind of predation worth-while in past ages. Except on a comparatively minor scale in chattel slavery, there was no concerted effort on the part of a large number of people to live by predation in the form of a continuous levy on current production.

It has been only within the last century or so that conditions have arisen which would sow the notion in some minds that production is such a never-failing and healthy stream that it could withstand being tapped and bled at numerous points and still continue to flow. These are the basic premises of collectivism: that there is a virtually automatic source of production, which will go on and on like the sorcerer's mill, and that the problem resolves itself into tapping the flow successfully for the right people. But this operation puts an increasing pressure on the goose which lays the golden eggs and eventually kills it. There comes a time when producers refuse to go on being victimized.

It has been pointed out that economic transactions have, from the beginning, been involved with politics, ostensibly to keep predators out of the market. If we know that political action has always played a role in economic affairs, and if we eliminate economic action as a cause of depressions, then we are in a position to examine objectively the theory that improper political action is the culprit behind boom and bust.

Collectivism is a poison, and the

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thing to do with a poison is to avoid it altogether — not take it in small doses under illusion that it has curative powers. Collectivism in small doses is what we are offered in such nostrums as Keynesianism, the Welfare State, and the middle-of-the-road policy. These fragments of socialism are sold to us on the promise that they will make the market economy work and keep us out of collectivism. But because they are premised on a complete misunderstanding of the market economy, they actually sabotage it and thus drive us closer to the state socialism they hope to avoid. Free market capitalism doesn't have to be *made* to work; it works naturally, by itself, within the framework of the proper moral and institutional guarantees to life, liberty, and property..

Of Man and Masses

Evelyn F. Brines

IT'S a purely personal view but my dander gets up quickly whenever I hear people referred to as the "masses" or the "common people."

We may be short, tall, good or bad, fat or lean, but we are not a blob of putty to be molded into any one size, shape, or viewpoint. There are about 167,000,000 people in this country and no two sets of fingerprints are alike; and I view with suspicion anyone who takes the view that any or all of the millions of individuals are "masses." It is an insulting reference, writing off all individual thought and personality.

I hear it frequently, and whether the people who use it do it deliberately or have merely borrowed the phrase in thoughtlessness, it is equally bad. I protest particularly hearing leaders use the term. If the individuals who hired, elected, or appointed them are a faceless "blob," then not much inspired leadership will result.

I heard one of the very highest labor leaders refer to his union membership again and again in this fashion. He meant no offense,

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I am sure, because he is highly respected by people outside the union. Nevertheless, the term defaces people and their personalities. It robs them of being John Jones or Harold Brown, with their individual marks of personality.

I think it's dangerous to be thought of so impersonally by people in positions where they are responsible for the welfare of large numbers of people. It is not easy to be impersonal about John Jones, the name and the man, but it's easy to miss his viewpoint when he is "the masses."

The term is against one of the basic human feelings, the urge to feel important. Ask any performer how important it is to be a "name." Entertainers work for years to build their name. Politicians know how important a name is. Surveys show that people want not only money for their jobs—they want recognition equally as much.

In all our contacts with others, we meet as individuals. To the filling station attendant you are not a "mass." You are someone with a a name and personality, perhaps a little cranky sometimes. To you, the attendant is Bill Smith who does the job with a smile, and that's where you go when you want gas. You like *him*. You are *You*. Nobody else can be.

Anyone using such an indifferent and careless term as "the masses" should be promptly and firmly corrected, albeit politely.

The Nature of Enterprise

It is of the nature of enterprise that the businessman judges for himself what human beings want and how badly they want it, and that he accordingly organizes matters so that human beings can get what they want for themselves. In any society fit for human beings to live in, they must be free to decide what they want, and how much they want one thing more than another thing. If freedom to want things, and to decide among them, is to be of any use to us, we must be free to shop around for what we want. In fact we must be free to shop around if we are to live as free people at all. Freedom of enterprise, as seen from the businessman's point of view, is the same thing as freedom to shop, as seen from the consumer's point of view. The central conclusion of economic thought, as I understand it, is that only through freedom to shop can we get the maximum of the things we want most. In other words, free enterprise secures maximum production all around. In this conclusion lies the whole case for freedom to shop and freedom of enterprise.

HART BUCK, Statistician
Toronto-Dominion Bank

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Practical Philosophy

Admiral Ben Moreell

THE BUSY MAN demands that a book be more than a mildly diverting exploration into the higher reaches of so-called "pure intellectualism." He is always on the lookout for books which supply him with practical working guides to more purposeful living. Such a book is *The Human Venture* by Gerald Heard (Harper and Bros., New York, 1955. 310 pp. $4.00). In his searching analysis of the history and meaning of man's sojourn on earth, Mr. Heard brings into sharp focus the applicability of his findings to the solutions of current problems. Here is a work which can be used to advantage by all who have an interest in and/or a responsibility for the conduct of important affairs in today's troubled world.

Mr. Heard introduces his work by asking these two challenging questions: "What is the meaning of the present world situation?" and "How can we make sense of what is happening to us these last years?" He goes on to state: "The First World War 'to make the world safe for democracy' led to communism and the Nazis. The Second World War, fought in the name of the Four Freedoms, made us for a time an ally of communism and left us with the atom bomb. We have never achieved such victories, such power, and so little security. Now we are seriously planning to annex the moon, while 'iron curtains' keep coming down all over our own world.... Our civilization is not collapsing ... it is exploding.... We may be blown to pieces if we do not learn to handle the explosives. . . . In short, the history of man is twofold. There is the outward story of economics and physical inventions, of science, technology, and manufacturing. But parallel with it is the inward story of man's understanding and ordering of his own life, and this is essentially the history of religion in the deepest sense of the word."

Mr. Heard then conducts the reader on a tour which might well be called a personal exploration of human history, in the course of which he unfolds the "inward story of man's understanding and order-

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ing of his own life." And from this story, he undertakes to deduce the answers to those two vital questions propounded in the preface, and to a third one, which is implied in his statement, "Man needs power over himself and understanding of his own nature, far more than he needs power over his environment. He needs to know how to hold himself together." The implied question is this: How can man achieve that power and understanding without which he will surely blow himself to bits?

Mr. Heard defines the problem by asking three questions which must be answered before man can progress along the path of the human venture:

1. Where am I? What is the character of the natural setting in which I must live?
2. What am I? How am I related to other men with whom I must learn to live?
3. Who am I? What is the nature of my consciousness and what is its final destiny?

Mr. Heard shows that the third question can be answered by means of what he calls the "psychological revolution, the realization that the basic problem is the riddle of consciousness. . . . By discovering that . . . . they have discovered, also, that the answer to *Who am I?* involves the answer to *What am I?* as well as *Where am I?* Hence today," Heard states, "human coherence must be built up from that innermost circuit; otherwise, it will remain skeptical of all its other findings." But (he implies), with this firm foundation, man can meet the problems of the *Where am I?* and the *What am I?*, the challenges of science and of social relations. "Once man resolves to construct such a frame, he shall have for the first time the capacity to sustain the dynamic richness of human experience and the expansive power of the human mind. Then only will it be possible to have a peace that is not coercion but consent, and a civilization which is the great community and not the giant state. . . .

"Such is the hope for mankind. Its very greatness makes the wary side of man's mind fear that he may never achieve it. On the other hand, its promise is so truly attractive to the human heart that it may be an inherent part of human nature."

ENOUGH has been written here to indicate that this book holds promise of a rich store of knowledge which could point the way to the solution of many contemporary problems. But this deposit cannot be mined easily, from the surface. The important values lie well below and will have to be dug out by diligent study and contemplation.

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My interest in Gerald Heard was first aroused when I was told that in two little books which he wrote I might find the answers to some questions on religion which were puzzling me. These were entitled *The Creed of Christ,* a unique study of the Lord's Prayer, and *The Code of Christ,* a study of the Beatitudes. These two books whetted my appetite for more information about Heard. I learned that he was born and educated in England, took honors in history at Cambridge University, and did postgraduate work in philosophy and the philosophy of religion. He came to the United States in 1937 and since then has been lecturing and writing.

One of my friends who has spent much time in the study of Heard's works has written: "There are thirty-three books to Heard's credit in the fields of history, anthropology, philosophy, and religion, including six novels, an allegory, and two collections of short stories. His mind has ranged through all branches of ancient and modern knowledge, including the sciences. He is at home in the religions and philosophies of both West and East. In his books he has integrated this vast accumulation of knowledge and brought it to bear upon the personal and social problems of man in the modern world."

The American businessman prides himself on being a "practical" fellow. I suppose this is intended to mean that the things he does are directed toward the fulfillment of immediate human needs, for which service he expects to be paid a reasonable fee. I have no quarrel with that thesis. But the question arises: By what standards does he appraise "immediate human needs"? Unless he has a highly developed sense of perception of true values, his appraisal is likely to be faulty, especially when he attempts to arrange human needs in order of importance. Without perceptive capacity, he cannot be truly "practical." Proper perception requires that he be able to synthesize facts and meanings; to understand and integrate the lessons of science (i.e., the finding of facts) with the lessons of religion (i.e., the finding of the meanings of those facts).

In short, here is a "practical" book which can and should be used as a working tool to serve the best interests of our civilization and to further the progress of the human venture. I commend this and other works of Gerald Heard to my many friends, in government, in the professions, and in business, who may wish to make a contribution of value to these important objectives.

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Why Wages Rise:

9. LOSING PAY THROUGH FRINGE BENEFITS

F. A. Harper

The previous article discussed the worth of a free hand in the spending of one's own wage income. When you can't use your income for things of your choice, its worth is lessened to you.

It was shown how this applies to the costs of governing ourselves. The rise in taxes over the last half century has cut more and more into wages, absorbing about half of our increased capacity to produce. From a cost of three minutes out of each hour of work fifty years ago, taxes now take 19 minutes.

The greatest opportunity now for a quick increase in the worth of wages is to reduce the cost of governing ourselves so that more of the wage can be kept. Then you can spend it for things of your own choice and preference among the multitude of things available — goods and services. A dollar saved this way is as good as a dollar earned by working harder.

The present article deals with another aspect of free choice in the spending of wages, by which it is possible to raise the worth of wages even further.

THE communists-socialists have a plan for society that goes like this: "From each according to his ability, *to each according to his need.*"

This communal blueprint is appealing enough on the surface. Each of us wants to do the best he can according to his ability. And who among us doesn't yearn to have his needs fulfilled? So this slogan sounds like Heaven before the hereafter.

The barb in the bait lies concealed beneath the pleasant dreams of a utopia. For the brutal discipline of reality rules over hopes that can't be hatched.

The catch is twofold. First, as a member of a communist-socialist society you shall not be allowed the privilege of pursuing the release of your abilities at a task which seems best to you. A central authority will decide this for you and for everyone else. He will do this in order to keep a workable ratio between the persons on the stage and in the audience at the opera; in order to have passengers who will ride the trains instead of all being engineers; in order to have some-

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one who will take care of the sewage, and the like. The Commissioner of Opportunities to Work will command you to work at the job of his choice, not yours. You may neither strike nor quit nor change to another job more suited —as you see it—to your abilities.

Needs—In Whose Opinion?

The second catch in this slogan is that your official allotment "according to need" will have no necessary relationship to your hopes and expectations. For it is the central authority, not you, who decides on your needs. And so the Heaven of your dreams turns into a sorrowful reality. Even a child knows this important distinction, such as the difference between the soda he needs and the soda his father proclaims he doesn't need.

Under communism, the central authority decides whether it is bread or cake you "need." If he thinks you need boogie-woogie instead of Beethoven music, or vice versa, that is what you will get. The education he decides you need will be acutely attuned to an understanding of the reason why your welfare is supposed to depend on his staying in power. All these "needs" will be decided with a cold, inhuman arbitrariness. Since the Commissar of the Peoples' Needs never met you — probably doesn't even know you exist—his decisions can't possibly come even close to your version of your needs.

And even though the Commissar chanced to know your wishes, his job is to ration acutely scarce things, labeling them "your needs." Production is low under such a system. And whatever its amount, even with all his power he can't provide for any needs beyond what is produced, less a heavy handling fee.

Under the communist regime there is another side, too, to this matter of providing for your needs. He will also prohibit you from having what he thinks you don't need. This, in fact, becomes a main part of his task under the poverty of communism.

A punster once remarked that life in a communist country means that everything not compulsory is forbidden. And in like manner, the communist-socialist slogan should probably be reworded as follows: "From each according to his ability, and keep from each what he does not need."

Complete and thorough communism has been rare in the world because it is a highly perishable system. Rebellion constantly arises out of the biological, mental, and spiritual nature of man. So the dictator's policies must be "realistic," i.e., they must be moderate enough to enable him to stay in power. A certain amount of free-

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dom of choice must be allowed.

The less-than-complete patterns of communism which exist in various nations go by another name. They have become known as *Welfare States.*

We need not look afar to some foreign country or ancient society to find this communist policy in operation, in a lesser degree. We have it in our own nation, in widespread forms and instances. Probably each of us is a victim of some of this same type of authoritarian control that we criticize severely when we see it being practiced in Russia or Britain or elsewhere. So perhaps a little soul-searching is in order.

We need especially to review the growing pattern of wage payments which incorporates some of the same idea —"according to need." There is growing up in our midst what might be called corporate welfare states in miniature, or union welfare states. Their effect on the real worth of wages is what will mainly concern us here.

The Total Wage Concept

In order to see the nature of these miniature welfare states in relation to wages, it is first necessary to recall that there is no way to consume this year something to be produced next year or the year after. This remains a simple truth even in an economy like our own where some persons are employed by others and paid with money wages.

Wages have no worth except as one can buy with them something he wants, including the investment of savings. So no matter what the rate of pay or the form of payment, there is no way to pay wages making it possible to have something this year that is not to be produced until next year or the year after.[1]

The simple economic law that wages follow can be seen most clearly by the life of an isolated pioneer. He has what he can produce, and no more. His "wages" are limited by the amount of his production.

What is produced is likewise the "total wage" of an isolated communal society, or of a nation having a balance in external trade. Production rules the wage limit even in a society otherwise controlled by an iron-fisted communal dictator.

No matter who cuts the economic pie, it can't be cut into pieces which combine to a total that is more than itself. If cut so that one piece is larger, another piece or pieces must be correspondingly smaller. The only way one piece can be made larger without penalizing the others is by increasing the size of the

[1]See "Why Wages Rise: 2. Productivity," *The Freeman*, April 1956, pp. 36-39.

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pie — increasing productivity and total output.[2]

But we are not here discussing such matters. We are, instead, starting with the assumption that this problem of dividing the total of production in a given year has already been resolved satisfactorily for the individuals involved.

Your Share of the Pie

Now let us look at your share of the pie, the part you have produced. It is yours by rights, because you have produced it. And your employer recognizes and accepts it as yours.

He will let you take what you produce in that exact form, if you so desire. But you don't. Perhaps you make castings for trucks; you can't eat them or wear them yourself. Or you may make caskets; you surely don't want them—at least not more than one, and not yet. Or perhaps you teach; what teacher wants to be paid a wage composed of listening to his own teaching?

So you want to be paid the *money equivalent* of what you produce, not what you produce in fact and in kind. You do not want to peddle the products you make, yourself. You want them to be sold by the specialized and efficient sales setup of your employer, which is much to your advantage. Then the sales price, in effect, becomes your wage.

Let us say that last year you produced products of the average amount for a United States family —about $6,000 worth. Taxes took about $2,000, leaving $4,000 net after all types of taxes.[3] This money can be spent by you for whatever you want most.

What you choose to buy is not at all the same as the choices of the man who works next to you in the same plant. This can be seen by comparing notes with him as to what, precisely, each of you did with your last pay checks — every cent, even down to the brand of bread you prefer or where you went on your vacation. If any doubt still remains, compare the choices of hats and dresses your wives bought with some of the money. The techniques of mass production and standardized assembly lines do not carry over into what employees want to buy with their wages.

Suppose I take your $4,000 and spend it for you. This means that I shall spend it for what I think you need, not for what you think you need. In other words, I'll probably spend it for the same things I would buy for myself if it were mine, because that is what I am

[2]See "Why Wages Rise: 3. Dividing the Pie," *The Freeman*, May 1956, pp. 27-32.

[3]What you can spend is the net after paying taxes, which last year took about one-third of the pay from each hour of work, in both direct and indirect taxes. *The Freeman*, October 1956, pp. 34-39.

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most likely to consider to be your greatest need. I'll have to deduct a sort of commission for my trouble, of course.

What does your $4,000 become worth to you if I handle it that way? Remember that I am going to subtract a commission for handling its spending for you; then with what is left, what would you pay for what I select for you? The resulting figure—what you would pay for it—is all that your $4,000 wage would be worth to you under such a plan. That figure can be compared with your $4,000, which you might have taken yourself to spend for your greatest needs as you saw them rather than to give it to me to spend for you.

Assume, for instance, that you say my purchases are worth only $3,000 to you. This would mean that a wage of only $3,000 to be spent by you is as acceptable as $4,000 which I spend for you. There would have been a $1,000 loss, or one-fourth of your $4,000 wage. It means that the real worth of your wage became only $3,000, instead of the nominal figure of $4,000. Your share of the pie—the part due you because of your having produced that much — would have shrunk by one-fourth.

Fringe Benefits

Fringe benefits, as they are called by prevailing jargon, are precisely of this sort. They have been a major objective of union leadership, and have been increasing more and more over the years. The term has even been adopted by employers, journalists, and essentially everyone else. Yet the term "benefit" implies the opposite of the fact, in most such instances.

What, really, are fringe benefits? They are of two types:

One type of "fringe benefit" is the spreading of your pay, which was earned while working, over periods when you do not work. Let us say that you actually work on the job a total of 1,800 hours in a year — an eight-hour day, five days a week, forty-five weeks a year. You might be paid your $4,000 of yearly earnings after taxes in one check at the end of the year; or in forty-fifths at the end of each week you actually work; or some other similar way. Or, if you prefer, the total yearly amount could be paid in twelfths at the end of each month, or in twenty-sixths at the end of each fortnight, or in fifty-seconds at the end of each week—including the weeks and days when you did not work. However it is done, the total will still be $4,000 after taxes.

Some of your earnings may even be paid to you in your old age, after you have retired.

The way you are paid, in this sense, is a benefit to you only as it may be a convenience to receive

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your $4,000 at certain times rather than at others. It has nothing to do with how much you are paid. It is not a way to get more pay than you have earned—more pay than the worth of what you have produced —and so it is not really a benefit at all, in this sense.

The other type of so-called fringe benefit includes all sorts of things which became substituted for money pay, which you may spend for things of your own choice. Instead of getting your entire $4,000 as a money wage, you may get some of it in the form of specified goods or presumed services. All sorts of things become substituted for money pay. They range all the way from better toilet facilities in the plant to golf courses for members of the families of employees—perhaps even help in building a church of some denomination in the community. It may be more company picnics, or a Christmas party, or insurance of one sort or another, or a pension for old age—all sorts of things.

Sometimes these "fringe benefits" are the result of employee pressure, either through the union or without any union. But often they are initiated by management; a "company plan" is put into effect.

However they come about, "fringe benefits" of this type have one aspect in common. In each instance its cost comes out of the money due you as pay—out of your $4,000. It reduces the amount left to be paid to you as a cash wage, that you may spend on your greatest need as you see it. It is something that someone else thinks you need.

Fringe Detriments

Most schemes of this sort are not really benefits at all. Employees would be better off, by their standards of need, if they could have the money instead. Then they could buy something worth more to them than any common package, more than any uniform communized "need" that could be devised. Perhaps you don't want any of your $4,000 spent on a golf course because you do not want to play golf. Perhaps you do not want part of your $4,000 used to help build a church of a faith that is not yours. And similarly for other so-called fringe benefits, imposed alike on all employees. You may not want them at all in your current budget, or if you do want them you may not want them under this plan because you may be able to make a better deal elsewhere.

To illustrate, let us say that for every dollar taken out of your income for a "fringe benefit" by someone else's idea of your need, you get something worth only 75 cents to you. Then it would have been worth one-third more to you

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to have gotten the dollar instead—for a dollar's worth of purchases as you appraise them. For anyone to speak of a loss of 25 cents out of the dollar as a benefit is a strange use of the word, indeed. Rather, it is a *negative fringe benefit.*

My dictionary says that the opposite of a benefit is a detriment. So instead of being a fringe benefit, these kinds of things are really *fringe detriments.* Even then, they are not on the fringe of your welfare; they are as much at the heart of your welfare as any other dollar of your pay.

It is common for these so-called fringe benefits of all types to amount to as much as 10 to 20 per cent of the pay in many corporations now. This amount should be a major item of concern among employees, since it is both large and increasing.

Little Welfare States

A friend of mine speaks of them as little, corporate welfare states. And, to be sure, they are just that — if we mean by a welfare state the centrally controlled spending of the people's income for what those in control decide is the need of the people.

A small welfare state is perhaps better than a large one, of course. And it is best to have it where one may move away from its grasp as easily as possible. But an evil small in size and where one can move away from it is still an evil, not a good. It is still of the essence of communism - socialism, wherever and to whatever extent it operates.

So in conclusion, I would say that one way to raise wages is to repeal all these fringe detriments and to set up no new ones; to return full choice, in the spending of the worth of what he has produced, to each individual employee; to give him his wage in the form of money, to be spent on what he most considers to be his need and wherever he can get the best deal.

If several persons want exactly what is offered in the package of fringe detriments, they may still obtain them in the market for goods and services. They may still get the full worth of their incomes in that way, without imposing their desires on all other employees as a "fringe benefit." It is all the others who do not get their dollar's worth. Their income dollar becomes clipped by these fringe detriment schemes, in a manner like the clipping of the coins by the rulers in days of old—for their personal gain.

The worth of wages can in this way be raised at once, anywhere employers and employees decide to do so. It need not await the slow process of increasing productivity. In fact, this is necessary if we are to gain the full benefits possible

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under our increased capacity to produce.

And as a final point, these schemes of so-called fringe benefits often are a serious threat to our continued progress. Ostensibly their purpose is to reduce turnover of labor and stabilize employment. But they tend to freeze a worker in his job. He does not leave for a more productive job because he would then lose his seniority status and the "accumulated benefits" which he cannot take with him. So he keeps his "security," which the union or the company allows him to have only if he stays where he is. He does not follow opportunity where it leads. "Once a coal miner, always a coal miner," is its effect. This sort of freezing tends back toward the old European caste system, and could bring an end to the traditional American growth of welfare and increasing wages.

So "fringe benefits," rather than coming from pie in the sky, come out of wages—out of what could be paid as money wages. And furthermore, they comprise a serious threat to our progress.

The Mobility of Labor

SOME PERSONS want to abandon the competitive system of bargaining because they say there is not "perfect" competition. They fear for the workmen, because they say there is not a "perfect" mobility of labor. And it certainly is true that some persons do not move as quickly as do others in response to an opportunity for higher wages. Home and family and church and community and all sorts of ties influence any decision to move. There may be a loyalty to one's present job which isn't measurable in dollars and cents. And there may be other barriers to mobility, such as seniority privileges and tied-up pension rights, which in many instances have grown out of a perversion of the free market. Both management and labor have been guilty of thus abandoning the market method of wage determination, and now the critics want to discard the competitive system completely because of those perversions. They forget that the market system, even in the absence of perfect mobility has afforded individuals in America a greater freedom to move than others have ever known under any other system. Some of those other systems allow the "workers" no choice at all.

PAUL L. POIROT, *Bargaining*

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International Commodity Agreements

Adam K. Stricker, Jr.

AS LONG as we maintain a free price mechanism, consumers will guide the economy by the countless transactions which they initiate every day. Their actions maximize the use of available resources.

For many years there have been groups in other countries who have advocated government schemes to control the production and the prices of basic materials. In the 1920's the export of rubber from the Malay States, the Straits Settlements, and Ceylon was under strict control by the British under the Stevenson Plan. The price rose from 15¢ per pound in August 1922 to $1.01 per pound in November 1925.

Opposition to the Stevenson Plan became marked in the United States under the enormously high prices of 1925. Among other things, some consideration was given to the possibility of promoting rubber production in tropical areas in the Western Hemisphere. More important was the renewed use of reclaimed rubber. The use of reclaimed rubber had amounted to more than one-half that of new crude rubber in the United States in 1917 but had dropped to less than 20 per cent in 1922. In 1927 and 1928, its use once more equaled 50 per cent that of crude rubber in the United States and almost one-third of world new crude rubber consumption.

> *. . . the free play of competitive forces set in motion by your day-by-day decisions over the long run will be more successful in insuring that the world's resources are put to their most productive use than the decisions of well-meaning bureaucrats.*

The British Colonial Secretary announced the decision to abandon restriction on November 1, 1928. He said this decision was made because it was difficult to influence prices with a reduced proportion of output under British control and the prospect of losing a still larger part of the market to the Netherlands Indies, where planting had been stimulated and where produc-

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ers not only had lower costs than in restriction areas but also every inducement to use new developments such as seed selection and bud grafting. He also reported opposition to the scheme in Ceylon, smuggling, and the corruption of native staffs.

Another control scheme which also failed to stabilize production or price was the Brazilian coffee valorization plan. The controls broke down, and instead of stabilizing prices, the price was lower than ever. The most spectacular development in Brazilian policy regarding coffee was the burning of enormous amounts; from 1931 to 1938 Brazil destroyed 65 million bags, or 8,600 million pounds, the equivalent of total United States imports for five years.

WE ARE SYMPATHETIC with the problems of countries whose national income and well-being are involved with the markets for a few basic commodities. Indonesia and Bolivia depend on exports of tin, Brazil of coffee, Chile of copper for necessary foreign exchange. There are numerous other examples that readily come to mind. Experience, however, does not hold any promise that these countries will prosper from government control schemes. If we can maintain a high level of gross national product in our own economy, we assist the underdeveloped countries by our demands on the world markets for primary commodities. This is our greatest opportunity to help others while helping ourselves.

During the course of World War II, a group within the State Department drafted proposals to guide the world economy during the postwar period. The results of their work were embodied in a document known as "Proposals for Expansion of World Trade and Employment," issued in November 1945. One of the proposals provided for intergovernment commodity agreements designed to meet the recurrent problem of stabilizing the prices of raw materials. This proposal was sponsored by our government to aid countries such as those we have just mentioned.

The State Department believed that it had improved upon the earlier control schemes by providing for government representation from countries with important consuming interests on the intergovernment control board for any commodity. This was an improvement over the earlier plans such as the Stevenson Rubber Act. However, a conference of government representatives sitting down around the table is quite different from a free market in which buyers and sellers adjust the supply-demand relationships through the operation of the price mechanism. Any such scheme

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of necessity implies government controls over price and production.

The United States proposals were referred to the Economic and Social Council of the United Nations. They ultimately were incorporated in a charter for the International Trade Organization adopted by an international conference which convened at Havana, Cuba, in November 1947.

The commodity agreements proposals were Chapter VI of the Charter. The Havana Charter was submitted to the Congress by former President Truman in 1949. The House Committee on Foreign Affairs conducted hearings during the spring of 1950 but failed to report the resolution and it died in Committee. Pending adoption of the resolution, the United Nations attempted to establish the Charter, chapter by chapter. The implementation of Chapter VI was through an organization known as the Interim Coordinating Committee for International Commodity Arrangements. Although the Havana Charter is dead, we are still operating in the Interim.

WHILE THE INITIAL thinking on commodity agreements was directed toward the problem of surpluses and the stabilization of prices, the Korean emergency presented a new set of problems involving shortages. This eventually resulted in the birth of an extracurricular organization: namely, the International Materials Conference. It had the power to make recommendations to governments on the allocation of critical materials. This organization, sponsored largely by our own State Department, was established outside of the United Nations structure in view of the difficulties involved in operating an organization with such powers if Russia and her satellites had a voice in all its decisions during the Korean conflict.

The International Materials Conference actually allocated copper, nickel, sulphur, cobalt, tungsten, molybdenum, zinc, and newsprint to all the nations of the Free World in accordance with what it called a country's "entitlement for consumption." The allocations were implemented in the United States by using the Defense Production Act with its material and price controls. As the IMC began to hamper seriously many industries in the United States, Congress made its own examination of this organization and amended the Defense Production Act in 1952 restricting the powers of the IMC over our economy; and in addition, it provided that no funds appropriated to the State Department could be used to pay any of the expenses of operating the IMC. This organization was disbanded in 1953.

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In the meantime, another effort was made by countries largely dependent upon the production of raw materials to establish another group within the United Nations with powers to deal with commodity problems. A report released in November 1953 entitled "Commodity Trade and Economic Development" became the basis for a resolution submitted to the Economic and Social Council in the spring of 1954 providing for the establishment of a Commission on International Commodity Trade.

The United States representative to the United Nations Economic and Social Council opposed the establishment of this Commission, particularly in view of its very broad terms of reference. They included provisions to establish "just and equitable" relations between the prices of raw materials and manufactured goods. The United States representative voiced our unalterable opposition to any such proposal involving complete regimentation of the world's economy.

In spite of United States opposition, the Commission was established in 1954. The Commission has produced a number of statistical studies, but it has been unable to do anything more in view of the fact that the United States has not participated in its work.

At the present time, our government is a party to two international commodity agreements, the International Wheat Agreement and the International Sugar Agreement, both established many years ago. We are not a party to the International Tin Agreement, and we are not participating in a proposed new Coffee Agreement.

Certainly our experience with wartime price and allocation controls within the United States, with the rubber and coffee schemes I have described, with our efforts to stabilize domestic agricultural incomes, and with the International Materials Conference, does not give us a basis to expect government controls to be superior to free markets.

No one can foretell the future. However, in my opinion, the free play of competitive forces set in motion by your day-by-day decisions over the long run will be more successful in insuring that the world's resources are put to their most productive use than the decisions of well-meaning bureaucrats. The truth of the matter is that none of us is smart enough to plan a regimented world economy.

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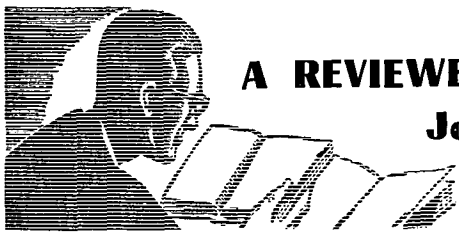

A REVIEWER'S NOTEBOOK

John Chamberlain

LUDWIG VON MISES is never one to beat about the bush. When he says he is against socialism and government intervention in the economic process, he really means it. Therein he differs from ninety-nine out of a hundred economists and politicians who say they are for the free market, but who make exceptions for such things as farm prices, or compulsory social security, or government housing, or federal aid to education. The "yes-but" economists may think they are for freedom, but to Dr. Mises they all partake, at least to some degree, of the fatal disease of our time. That disease is clinically and coldly anatomized in Dr. Mises' *The Anti-Capitalistic Mentality* (D. Van Nostrand, $4).

Like Dr. Mises' other books, *The Anti-Capitalistic Mentality* makes the incontestable point that the West owes its tremendous economic development, its machine technology, its inventiveness, its high standards of living, its many amenities, its surging populations, its low death rates, its good medical care and its nonfatalistic outlook to the rise of laissez faire capitalism. True, the totally unhampered operation of laissez faire has never persisted for very long anywhere in the West. But there has been enough of it to "absorb" the hindrances created by such things as uneconomic wage rates enforced by political action, or government subsidies, or tariffs, or the "wage tax" out of which social security is supposed to be paid.

Decade by decade, the capital equipment available to the individual worker in the West, particularly in the United States, has increased, thus adding to the unit productivity of wage earners who would otherwise be condemned to static standards of living. None of this has been done by mirrors, or by politicians; it has been done by saving, by the march of depositors to the banks with their pennies, nickles, and dollars. The sum total of productivity might, indeed, have been pushed much higher if the high tax philosophy of modern governments had not intervened.

In pushing up the average man's standard of living modern capitalism has "exploited" nobody. As Dr. Mises says, under laissez faire the

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consumer is king. The only way a capitalist can become richer is by selling to the masses. He must lower the unit price of his goods in order to widen his markets and make more money. And he must pay high wages in order to attract the most efficient workers. The capitalist's riches depend on making everybody richer in terms of goods, services, and wages. There is thus no inherent "class war" under laissez faire; the "system," so-called, is all of a piece. The rich merely grind their own faces when they attempt to grind the faces of the poor.

The strange thing about it, however, is that the more capitalism succeeds in augmenting the individual's blessings, the more it is libeled and hated. Not even the stupendously obvious failure of socialism in Russia, or the apathetic tincture of life in the so-called "welfare states" of England and Scandinavia, has done much to mitigate the hatred. This paradoxical state of affairs was first noted by Professor Schumpeter of Harvard, who surmised that capitalism would probably kill itself out of a surfeit of success. Dr. Mises, picking up from where Schumpeter left off, has made himself a pathologist of the queer, thoroughly irrational hatred which is engendered by the good tidings of plenty which capitalism brings.

ACCORDING to Dr. Mises, the chief reason why capitalism is hated is that it deprives incompetents of easy excuses for their failures. Under feudalism, the underling could explain his lack of riches or a privileged position by his birth; after all, nobody could be blamed for his father's failure to be a duke. But under capitalism, which awards people according to their accomplishments, the underling must either face up to his own ineffectiveness or else lie to himself — and to others. Dr. Mises says that capitalism creates inferiority complexes in people who haven't the moral stamina to fight against the sins of envy, malice, and hatred.

At the very dawn of laissez faire capitalism a German, Justus Moser, wrote that life in a society in which success would exclusively depend on personal merit would simply be unbearable. The unsuccessful, said Moser, would feel themselves insulted and humiliated. They would go hunting for scapegoats. Dr. Mises evidently doesn't think much of Moser's bias against the merit principle, but he does credit Moser with a brilliant insight into psychology. A hundred and fifty years of history in which envious intellectuals have agitated the masses by inveighing against "management," "capital," "Wall Street"—and, most recently, "Madison Avenue" — have only

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served to enhance Moser's reputation as a prophet.

The "anti-capitalistic" front which specializes in spreading lies and delusions about capitalism includes artists, writers, professors, people of stage and screen, and the "idle rich" whom Dr. Mises calls "the cousins"—i.e., the relatives of those who do the actual work of running great enterprises. These people are the leaders in the attempt to manipulate the enviousness of the average man to the end of leading him into the blind alley of socialism. Dr. Mises heaps magisterial scorn on leftward-looking "intellectuals" who obviously have no intellects, and upon wealthy people of "position" who haven't the brains to come in when it rains. Much of his book is devoted to flaying these characters alive for their suicidal stupidity. They do not even seem to realize, he points out, that under communism they would be the first to be liquidated.

WITH DR. MISES' fundamental thesis, that people misread their hands when they oppose capitalism, I have no quarrel. And I am by no means blind to the role which envy and malice play in the creation of socialists and interventionists. But Dr. Mises makes a mistake, I think, in sticking to glaring primary colors in his analysis of the anti-capitalistic mentality. What he sets down to envy, or to a personal unwillingness to face the truth about one's own incompetence, is, in many instances, nothing more than a simple failure to think in terms of true causes and true effects. Much of the opposition to capitalism stems from the "post hoc, ergo propter hoc" fallacy: people see the facts of personal failure and attribute them to the antecedent fact that capitalism has been the "going" system of production. They lack the logical capacity to dig beneath the surface of events to the true inwardness of capitalism's largesse. When they have suffered enough under the high taxes and the inflation required to operate a Welfare State, they may use "post hoc" thinking to turn the rascals of State Welfarism out. This happy consummation won't necessarily come about because of any improvement in the average man's logical faculties; it will merely be a swing-of-the-pendulum thing. But in this case the "post hoc" mentality will be right by accident. Maybe, some day, an educated choice will replace the accidental.

Another reason besides envy for the failure of capitalism to sustain itself is the short-term cupidity of capitalists who, while they know that market freedom is a most desirable thing, think they can get away a little bit longer with a sub-

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sidy or a tariff or some other bit of government-created monopoly or special privilege. Added together, the many seemingly innocuous drives for personal exemption from market forces act as a terrible drag on the performance of capitalism. It isn't necessarily envy or malice or hatred that causes the farmer to ask for price supports or the business man to seek a tariff; it is simply the universal desire for a handout. Indeed, the people who take the handouts are frequently capitalism's loudest supporters in the abstract.

Much of what Dr. Mises thinks is anti-capitalist venom is merely cupidity set forth in the most plausible terms which a subsidy-seeker can think up. The farmer knows he can't justify a fixed price for his cotton or his wheat by saying he wants more money without working for it. He has to make his cause seem noble by saying something high-flown, such as "the stability of the economy depends on a prosperous agriculture."

However, if Dr. Mises errs in his analysis of human psychology by his addiction to primary colors, he is eternally right in his general economic principles. As he says, it is silly to blame the bad taste of our civilization on capitalism, for, quite obviously, the capitalist is willing to provide the best that people will pay for. If people want better designs, more effective color harmonies, sounder literature, and more honest journalism for their money, all they have to do is to say the word. The consumer has the dollars—and with those dollars he certainly has the votes.

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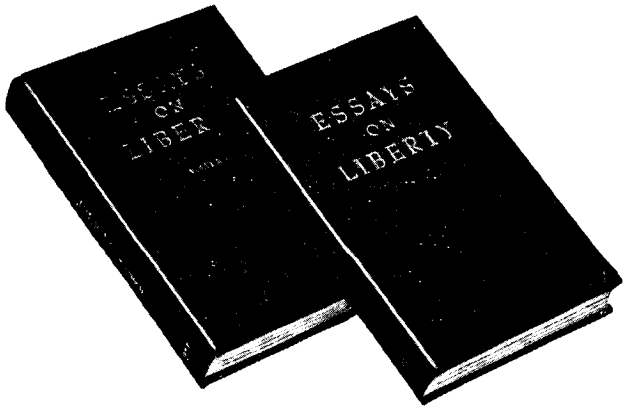

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WELL WORTH READING

The Great Emancipation: Slavery has been regarded as a necessary and normal institution in nearly every settled society known to history. There is a certain amount of unpleasant drudgery involved in keeping alive; and if there are not slaves to do it, however will it get done? The pre-engineer world could not answer this question. In that world "human slavery dominates the relationship of nation to nation, class to class, man to man, man to woman, creditor to debtor, master to servant, employer to employee, husband to wife and children. It formed the principal commodity of trade, so valuable that it was also the principal cause of war. It darkened not only the acts, but even the thinking of statesmen, politicians, philosophers, humanitarians, and religious leaders."

Since the time of the Stoics, and perhaps earlier, the West has tried to live with a moral code which has no room for slavery. Nevertheless, slavery existed until the nineteenth century. True, many men released their slaves on grounds of conscience, and a revulsion against the institution grew more widespread with each passing century. But slavery was not eliminated from society until slave labor became economically inefficient. Slaves couldn't compete with machines, so they were emancipated. Quite a lesson here for the simple moralist!

A fascinating part of this story is given in "The Engineer's Greatest Achievement" by Crosby Field, the Towne Lecture presented before a meeting of the American Society of Mechanical Engineers. A free copy of this scholarly lecture, including an extensive bibliography on the subject, is available to any FREEMAN reader upon request to Crosby Field, Flakice Corporation, 360 Furman St., Brooklyn 1, N. Y.

That Manifesto! In 1848 the communists announced their ten-point program for world revolution. The Party may be out of favor, but people still like its ideas, as Admiral Moreell has shown in his *To Communism . . . via Majority Vote.* (Copy on request, from THE FREEMAN). Now comes a succinct 16-page analysis of the Manifesto by Peter Steele, *Blueprint for World Revolt.* Contains a bibliography and a four-point counter-program. For a free copy write to Associated Industries of Missouri, 2031 Railway Exchange Bldg., St. Louis 1, Mo.

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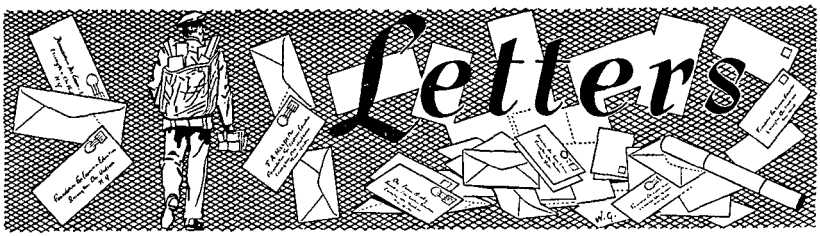

EXCERPTS FROM CORRESPONDENCE OF INTEREST TO LIBERTARIANS

LIBERTARIAN DILEMMA

QUESTION: *We have just moved onto a small farm and need advice as to the proper conduct for a libertarian farmer in relation to the many and varied governmental farm programs.*

If I let my conscience be my guide I would ignore all except those required by law. This would set me back financially not only to the extent of any subsidy or conservation payments but also the "fringe benefits" of government bulletins, county agricultural agents' advice, farm plans, maps, and such.

Dear Mr. R:

The question you raise has troubled many libertarians. My own answer to this perplexing problem falls into three parts.

First: One of the prime duties of man is to live out his earthly destiny. If one chooses to live — a choice I recommend — then one must live today. A free market, which libertarians prefer, does not exist in the U.S.A. or elsewhere. We are living in a partially rigged or controlled market. Therefore, we are compelled — if we would live — to accommodate ourselves to the situation to which social forces have committed us, our preferences notwithstanding.

We must trade in the market that exists if we are to trade at all. We should not refuse to produce and trade simply because governmental intervention has been introduced into the economic system at numerous points. I hold, therefore, that it is no offense to libertarianism for you to accept a subsidy or some other government "benefit," though such programs certainly violate libertarian principles. If I were to take a position contrary to this, and remain thoroughly consistent, I would not entrust the delivery of this letter to the socialistic, subsidized government post office. Further, we would have to return your generous contribution to this Foundation and accept not a penny from anyone. For our money—the economic bloodstream — has been inflated to finance government welfare programs such as the subsidy offered in partial payment for some of your production. Our money is

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infected with socialism, just as is TVA or a government golf course.

Second: Having conceded that it is no offense against libertarianism for you to accept a subsidy, I would urge you and all libertarians to partake of government pap as little as possible. The purpose of life on this earth, as I see it, is self-development: individualization, emergence, continuance of the evolutionary process, rising to higher stages of consciousness, realization of those creative potentials peculiar to one's person, self-responsibility.

To have another take over the responsibility for self — whether the caretaker be the government or whatever or whomever — is to invite atrophy; it is to negate life's purpose. A libertarian resents the assumption by another of the responsibility for his welfare more keenly than he would resent the denial of any other cherished right. I would much rather have the authoritarians take away my right to vote than to relieve me of the opportunity to look out for myself!

Third: Good libertarianism requires primarily that we sponsor no socialism, for we must be intimately acquainted with its economic and moral fallacies; that we understand and can explain the free market, private property, limited government concepts so competently, persuasively, and attractively that anyone who listens will be drawn away from socialism and toward libertarianism.

Anyone, like you, whose conscience is bothered by government "benefits" has the basic ingredient for becoming a skilled, accomplished libertarian.

LEONARD E. READ

FREEDOM AND GOVERNMENT

DEAR PROFESSOR G:

I fully agree with you that it is a good thing to bring people more enlightenment and more knowledge and to fight the sinister forces of ignorance, obscurantism, and superstition. As this is what you have in mind when asking for more education, I am delighted to establish the fact that we do not differ in our opinions concerning the benefits derived from the spread of knowledge.

Where we disagree is this: You infer that because education is good, it ought to be an objective of government action. Your conclusion implies that everything that is good is to be done by the government, i.e., the social apparatus of coercion and compulsion that by the employment of constables, prison guards, and executioners forces people to comply with the laws. This is a non sequitur.

In arguing as you do, you do not

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leave any sphere open to the spontaneous action of the individual citizens. If the mere fact that something is good is a sufficient reason to assign its execution to the government, only the performance of what is bad is left to the individuals. But bad actions have to be prevented by the government anyway. Thus your philosophy leads to the conclusion that the individuals ought to be deprived of the freedom of choosing between various modes of action. They ought in every regard to be subject to orders issued from and enforced by the authorities. This is the creed of the total State, of totalitarianism.

Now, you go on saying, it is not true that the taxes required to finance government expenditure are collected by the threatening cooperation of the "hangman." This is a superficial way to look upon affairs. Many people, perhaps most people, comply with the laws, e.g., the laws concerning taxation, only because they want to avoid the unpleasant consequences of disobedience. A man who does not behave as the law orders him to behave would be beaten into submission by the police, would be sentenced by the penal courts and imprisoned. If he tries to resist effectively the armed officers of the government and succeeds in this effort by killing one of them, he would be sentenced to capital punishment and die in the electric chair. This is how the hangman comes into the picture.

There are, as is reported by reliable people, in the big country Atlantis some counties in which it is generally assumed that a man guilty of having killed a "revenuer" will not run any serious danger. In these districts, it is assumed that the District Attorney will not be in a position to find in cases of such murders witnesses for the prosecution and that the juries will always render a verdict of not guilty. The result is that the "revenuers" are rather cautious in their attempts to collect the tax on liquor and that the price of whiskey is lower than in other parts of Atlantis. This example shows clearly how essential in the collection of taxes is the alertness of policemen, prison guards, and also of hangmen to interfere if need be.

Society cannot exist without a social apparatus that by violence or the threat of violence prevents domestic gangsters and external enemies from actions detrimental to the peaceful conduct of the citizens' lives. This social apparatus of compulsion and coercion, the State or the government, is not an evil, but an indispensable human device. It is the most beneficial institution of civilized nations as long as it does not overstep the sphere in which its activity is nec-

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essary and salutary. It turns into the worst of all evils if it becomes totalitarian and aims at subjecting every aspect of human endeavors to the discretion of the rulers.

You want to nationalize education. I suppose that you do not believe that government education should be limited to the teaching of reading, writing, and arithmetic. But as soon as you go beyond these narrow limits, you enter fields in which there prevails fundamental dissent among scholars as well as among laymen. There is, e.g., the conflict between the Bible and basic theories of geology and biology. There is the conflict between the ideas of the Declaration of Independence and the American Constitution, on the one hand, and those of the *Communist Manifesto*, on the other hand. There is the conflict between those for whom private property is the primary foundation of civilization and those for whom it is the most abominable of all frauds. What should government education's stand on all these and many other issues be? You cannot reconcile Milton's and Jefferson's ideas on liberty with those of Lenin in whose eyes liberty was "a bourgeois prejudice." You cannot teach history without choosing between the interpretation of the libertarians and that of the communists.

Government education necessarily involves the power of the government to determine what should be taught. It is the negation of all those ideals that from time immemorial have guided the intellectual and moral effort of mankind. It means the substitution of a rigid dogmatism for the unobstructed search for truth.

This is what I referred to in saying that government interference means ultimately more compulsion and less freedom.

LUDWIG VON MISES
Visiting Professor of Economics,
New York University

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FROM A LIBERTARIAN'S LIBRARY

No doubt all the trees in the forest fundamentally have equal rights and privileges. But they don't all grow to the same height, and it would seem rather foolish to cut the tall trees down to the level of the lesser ones to satisfy the theoretical demands of an unnatural formula. And it would seem just as preposterous ruthlessly to pull the short trees up to the height of the tall ones. If we did, it would mean their uprooting — they would wither and die, as all things do unless they grow up by themselves from their own roots. And so, to those who would like to eliminate differences among men, it should be said that if it were possible to do so, progress would cease. Equality cannot therefore mean to bring all men low. It must mean opportunity for each man to rise to those heights to which his energies and abilities will take him — "and allow all men the same privilege" — to the end that progress may continue, and that thereby all will find benefit. Equality which means less than this is not equality at all — it is slavery.

From an article by Richard L. Evans in Essays on Liberty, *Vol. II. Foundation for Economic Education, Irvington-on-Hudson, N. Y. 442 pp. 50¢ paper, $2.50 cloth*

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